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*** Ethnic Albanians Discuss Macedonia With UN, Arens**

93BA0812A Skopje PULS in Macedonian 18 Mar 93 p 8

[Article by Mirce Tomovski: "People Previously Ser-vile"]

[Text] *The presence of officials of various international and European institutions is part of the respect displayed toward Macedonia by the international community. But will their frequent intervention in solution of internal problems at least remind the government that regulation of public works projects in Macedonia is exclusively the authority of government agencies and a matter of our national dignity?*

It has been reported that the head of the Macedonian Government recently received William Whitman on a farewell visit. His name probably does not mean much in the stream of foreigners coming to Macedonia for a variety of reasons. This gentleman was until recently head of the CSCE mission in Macedonia, which is trying to become a CSCE member after the declaration of sovereignty and independence. The respected head of this unquestionably important mission expressed his deep gratitude for the cooperation of the Macedonian authorities and warmly recommended his successor, U.S. Ambassador Norman Anderson. Whitman's successor, Ambassador Frovik, gave a dramating warning that if Macedonia were not internationally recognized, there would be a fifty-fifty chance of war in this region.

This is a brief outline of the Macedonian domestic policy landscape dotted with foreigners. Part of the lengthy story is the activity of representatives of UNPROFOR [UN Protection Force], the observer mission of CSCE, the UN High Commissioner for Refugees, the International Red Cross delegation, the personnel implementing UN sanctions against Serbia and Yugoslavia, the already familiar Gert Arens of The Hague Convention, and many individuals and groups on temporary visits.

The presence and activity of these officials are in many respects a paradox in both the political and public life of Macedonia. The ostrich-like policies of the United Nations and European Community, for example, are paradoxical. These organizations stick their heads in the sand and constantly say that Macedonia meets all the requirements for international recognition. And yet, in place of accepting Macedonia as a member of the United Nations or CSCE, they send officials to the country on various missions. Macedonian hospitality is undoubtedly both a well-known national tradition and an attitude of a government that wants to be a civilizing and humane entity. Hence the missions are considered to be humane and well-intentioned and are not regarded as foreigners. And so, even if their missions do not help much, the memory remains of their effect in keeping conditions in Macedonia from becoming worse.

At the same time, a new lifestyle is being promoted that is set up as a pattern by these officials. They apply it by departing from the mandate given them by the organizations they represent. The CSCE "missionaries" are strictly

bound to regional observation. UNPROFOR personnel have the duty of watching the Northern and Western borders of Macedonia. Internal problems, including conflicts, are the "property" of the government and its agencies. However, the foreign "bureaucrats" are often on the spot during various events. Both UNPROFOR and CSCE people were in Skopje Montenegro during the events in Kuceviste and the problems associated with the demands by the Serbs and Montenegrins in Macedonia. They were also attracted by the extremely delicate problem in Zupa due to the demand by individual parents, Macedonian Muslims in this region, that their children be taught in the Turkish language in school. In this connection UNPROFOR representatives visited the Debar Assembly; there were CSCE officials in Zupa. They were drawn there also by the complex and controversial problem of construction of buildings in Djorce Petrov. A prominent woman, Ms. Zmijanac of the "Children's Embassy," also came to Zupa quickly to "protect the children." Probably she alone, as a member of an otherwise distinctly apolitical organization, knows which children are to be protected and from whom they are to be protected.

Mr. Gert Arens stands out in this kaleidoscope of officials. His mission is linked to The Hague document on the former Yugoslavia that no one has signed. Along the Geneva-Skopje-Ohrid axis he is concerning himself with international relations among three parties, the Macedonian Government, the Albanians, and Arens (as representing Europe). This triad has discussed chiefly the demands of the Albanians in Macedonia in the area of education, culture, information, and "transformation" of the Albanian ethnic group into a people. Thus far a new census (under international control) has been approved for the purpose of determining the actual number of Albanians in Macedonia, after which it will be seen what needs to be done, according to this "flying diplomat" and the "Hague decisions on autonomy in Macedonia." Negotiations about education are also in progress, said the Albanian language faculty. After the visit of Macedonian radio and television, Arens announced a program for extending the Albanian language (measures that no one, specifically no one in this area, dares to extract from government authorities in Macedonia). Unexpectedly, in Geneva Arens received a delegation of Serbs and Montenegrins from Macedonia, in the presence of a representative of the government of course. When asked why he would not receive spokesmen for the Turks in Macedonia, he asserted with political coldness that they represent only five percent of the population. And it is known that what is decisive for him in relation to minorities is the number; that at least is the approach taken in treatment of the Albanians. With Gert Arens' diplomatic mission it appears that the nation of Macedonia is slowly entering a stage of internationalization of its domestic problems, which are subject exclusively to the constitution and the appropriate Macedonian authorities. Otherwise, matters relating to the Constitution are a constant theme of this career German diplomat. We have learned from circles close to the triad that his most recent demand for a meeting was rejected. Mr. Arens reacted angrily to the rejection.

These ways of acting are becoming routine behavior, and there is a real danger of "intervention" in the forbidden internal government zone of Macedonia. It seems that the foreign officials assign a magic power to their concern for us. And this is in highly sensitive area, interethnic relations, about the delicacy, tradition, and history of which they know almost nothing. This fact is slowly but surely creating a state of mind that has also been shaped by our submissive mentality, in which bowing to authority is demanded and found. Among the representatives of Macedonian Government agencies there is no awareness of the possibility of solving domestic problems with their own resources and

mechanisms. A possibly instructive exception is that, for example, made by Education Minister Dimitar Bajaldziev in employing British education expert Jeff Morris. Their joint study period in the most sensitive areas of education in Macedonia did not just make possible a "depoliticized" insight into the situation, free of emotion and manipulation of the children. It also offered expert solutions, taking reality into account. Consequently, the "intervention" and "servility from the past," however much we want to marginalize them or justify them by reference to nonrecognition of the country, are major signals of the government's confusion, but also of confusion of the spirit.

*** Draskovic, DEPOS Policy Toward Macedonia**
*93BA0759A Skopje NOVA MAKEDONIJA in
Macedonian 13 Mar 93 p 19*

[Article by Tatjana Stankoviti: "Apathy and Democracy on the Serbian Scene: Personal Prestige as Obstacle"]

[Text] *Draskovic's idea of unifying all the "Serb lands," including "Vardar Macedonia," or avoiding Micunovic's decisions regarding vital territorial and political questions, will not improve the ratings and will even contribute somewhat to unification of the opposition. Such an idea has its roots among people to whom it is important because they are concerned with their own personal prestige.*

All the promises disappeared completely from the political scene in Serbia after the December elections. Not even the nimble party leaders are showing up on television screens as often now. The promises on the scene have now given way to threats couched in terms such as "see what we told you? You have been asking, but you had better be patient."

Hence it is not surprising that general depression and apathy have come to predominate among the people, at a time when an individual has to live on an income of 20 to 50 marks, and inflation is rising astronomically month after month. This is happening in a situation in which, on the one hand, the trade union and the government are bickering over the lowest cost of labor, and on the other, war profiteers, including government officials at the highest level, are collecting millions in foreign currency under the pretext of displaying patriotic concern for the people, who need gasoline above anything. This general apathy has also been transferred to the political parties, whether represented in parliament or not. There are reactions here and there, but they no longer arouse anyone's interest. The people appear to have had enough both of parties, elections, and party leaders. They do not see enough unity of the parties, what with their kicking each other and settling scores.

Fate of DEPOS [Democratic Movement of Serbia]

Considering the resolution by the two houses of parliament of the dispute arising from amendment of the law in the Assembly of Serbia as a result of which opposition deputies have had their ability to represent their voters in the Federal Parliament denied, in a sense DEPOS will fade away.

Conceived as a coalition of the Serbian Movement for Reconstruction, the Democratic Party of Serbia, some smaller parties, and nonpartisan intellectuals, DEPOS entered waters in which disintegration may be an unexpected result, one which a large part of Serbia sees as the only possibility of defeating the Socialist Party of Serbia. Although DEPOS officials deny any conflict, the main reason for potential disagreements could crystallize around the subsequent reorganization of this coalition. It is still not clear whether it is to be a cohesive party or only an association of parties, or something in between.

DEPOS, it must be remembered, was one of the reasons for the split that occurred this autumn in the ranks of the Democratic Party of Dragoljub Micunovic. The dissident wing of the association of parties in DEPOS, headed by Voislav Kostunjica, left the Democratic Party and formed a new one. The democrats then tried to convince people that the DEPOS organization is not a well-conceived one, but its leaders, and Vuk Draskovic above all, stated that what is important is that DEPOS represents a force that in no instance suppresses either the name or the value of any party, even the SDO. It is difficult to determine from statements by party leaders if a time will now come when even Vuk Draskovic will realize that it is much more important for him to preserve the SDO than it is to suppress it in DEPOS, in view of the fact that the personal prestige of several very powerful persons in DEPOS is involved, primarily Draskovic and Kostunjica, but also Matija Beckovic, and accordingly it is important to approach problems within the framework of this coalition. It is entirely clear, however, that some of the actions of Vuk Draskovic, who has said that the SDO constitutes the DEPOS or that there would be no DEPOS if there were no SDO, do not please either Beckovic or Kostunjica. Unity is highly essential to the political forces of DEPOS, and all its leaders realize this but are adopting a different approach to reorganization of this coalition. None of the leaders in the DEPOS coalition has said that the identity of his party has been lost, and possibly for this reason they flatly reject the idea of unification of the Serb opposition mentioned by Matija Beckovic at a recently held Serb meeting of the SDO, and before it the meeting of Dragoljub Micunovic's party. The fact is, however, that it is hard to tell if Beckovic and Micunovic were thinking of the same thing when they were talking about unification. SDO leader Vuk Draskovic was quick to give his assessment of this idea, stating that unification is under consideration but then the smaller parties must understand that the larger ones will take the lead. Of course, both the democrats and the members of Voislav Kostunjica's Democratic Party of Serbia, whose representatives actually make up a smaller number of SPS deputies in the two houses of Parliament, were immediately affected.

According to some indications, the existence of DEPOS also depends on the agreement to be reached between the representatives in the Assembly of Serbia who are on the DEPOS slate on the question of whether they will return to the Serbian Parliament or not. As things now stand, the representatives from the Serbian Democratic Party have the full support of the nonparty candidate, above all Academician Borislav Mihajlovic-Mihis, for their not returning to the Assembly. However, the SDO deputies, possibly induced by the move by the Democratic Party and the other opposition parties that followed it in leaving the Assembly benches and then at the first session returning to them, think that it might be more advisable for the Assembly to proceed in a similar manner, inasmuch as they do not regard the Constitutional Court as an institution that might rule in their favor, declaring that the law enacted by the Assembly is unconstitutional.

Party Disagreements

It is a short distance from these disagreements between parties to intraparty disagreement. The convention of special meetings of the SPO and the Democratic Party showed that there are major disagreements between the members of these parties. As a matter of fact, both Vuk Draskovic and Dragojub Michunovic have been reelected as leaders of the parties, but both the parties and their leaders have been subjected to serious criticism, both because of the tactics employed during the election campaign and because of the actions taken after the elections. The fact is that the previous vice presidents in the two parties have not had these functions. This might be interpreted as an effort by the party members in the parties to make radical cuts, and as a sign that this time the leaders who still have some charisma will not be subjected to the cuts.

However, the evidently radical nature of the personnel changes has left no visible traces in the discussion of the essential nature of the parties' activities. There have unfortunately been many repetitions of previous positions, too many accusations leveled at the governing regime and Slobodan Milosevic, of course with emphasis on the corruption and failures of those who have been in power for years. There have also been some bold proposals such as the one for organized arming of SDO members and for the call to arms to go to the government and to answer force with force, but such demands have been in the minority. However, the talks by the party leaders have not been immune to the sickness of subjecting the Socialist Party of Serbia to criticism and of mentioning the Serb radicals along the way. Errors have accordingly been repeated, even though it was seen in the elections that attacking the regime does not automatically attract new supporters or lead to any political success. Possibly it was precisely the meetings held that gave the best demonstration of how vulnerable, how politically inarticulate and unthinking, are the two opposition parties in Serbia that at the same time represent the strongest opposition option from outside, and just how easily they are harmed by the Serb nationality question, which in the opinion of many politicians was also the main reason for their poor results in the elections.

Draskovic's idea of unifying all the Serb lands, including "Vardar Macedonia," or avoidance of Micunovic's decision concerning resolution of the question of Serbs outside Serbia, will not improve the ratings of any one of these parties and will contribute only little to unification of the opposition, to the extent that this idea has its roots at all among the people who many say always put personal prestige first. Of course, the governing SPS has already exploited this situation as a good one to exploit, even though no one in ranks has accomplished very much in the way of significant activities, either internally or externally, even when out of fear one could have expected at least a reaction to the arrest of the ministers who are in its government and from its ranks. Everything boils down to a reaction by the government and its officials by means of which the people of course can recognize the SPS, and this probably explains the apathy among the inhabitants, who

are realizing that nothing has come of the electoral promises and who do not regard the opposition parties as a force that could lead to changes.

* Zieleniec on CR's Relations With Russia, Slovakia

93CH0579A Prague HOSPODARSKE NOVINY in Czech 8 Apr 93 pp 1, 3

[Interview with Czech Minister of Foreign Affairs Josef Zieleniec, by Marcela Doleckova and Jana Havligerova; place and date not given: "We Need Each Other"]

[Text] Czech-Russian relations and relations between the Czech and the Slovak Republics. Two topics that give rise to many questions are the subject of our interview with Josef Zieleniec, the head of the diplomatic department of the Czech Republic [CR].

[HOSPODARSKE NOVINY] Do you think that, following the breakup of the CSFR, the CR is now definitely outside the range of the Russian sphere of influence?

[Zieleniec] We believed that we had moved out of Russia's or, more precisely, the Soviet Union's, sphere of influence after November 1989. But, if we look at a map, we realize that such a statement necessarily has certain qualifications. The Soviet Union, later Russia, has remained a superpower and, despite the present difficulties it has, it is undoubtedly a country that will play a major role in world politics and an even greater one in European politics. Therefore, I keep emphasizing that Russia will always be an important political partner for us. The region in which we live, the region between Western Europe and the territory of the former Soviet Union, will always be an area of interest for a superpower such as Russia. Therefore, our status in our relations with Russia will always depend on the type of foreign policy we follow and on the skill in our diplomatic department.

[HOSPODARSKE NOVINY] The CR has a crucial interest in Russia not only from the political but also from the economic point of view. Do you believe the same applies in Russia's relations toward us?

[Zieleniec] Russian politicians naturally look at things from the geopolitical point of view. That means that they consider countries that are closer to them and could serve as a springboard for any expansion in relation to Russia to be more important than countries located deeper inside Europe. That is obvious. The breakup of the Soviet Union means that its nucleus—Russia—has shifted farther east. There are now new countries such as Ukraine between Russia and us, and Ukraine, Belarus, the Baltic states, and so forth lie between Central Europe and Russia. Following the breakup of Czechoslovakia, there is also Slovakia. In direct proportion to that, the influence of Russia in that area, on the one hand, and its political interest in it, on the other, are changing. That is a general view, which results from a look at the map and from knowledge of the geopolitical associations in that region. On the other hand, the world is becoming more global. Communications and relations between nations are no longer determined solely

by geographic proximity. At this time, events in Russia attract the attention of the whole world, primarily because the world is global, and, whatever happens in Russia, affects what happens in the world.

[HOSPODARSKE NOVINY] It is understandable that the world is interested in Russia. The real question is whether Russia is interested in a country as small as the CR.

[Zieleniec] Contemporary Russia, represented by President Yeltsin and Minister Kozyrev, is clearly oriented toward the West. They see the Central European region, including us, as an example in relations with the West. The CR is also an inspiration to them as far as coming to terms with the legacy of communism is concerned. We are familiar with one another from the past; admittedly, that was forced on us, but we know each other better. Therefore, we are an important place for contemporary Russia, especially in connection with its move toward the West. That can clearly be seen from discussions with Russian politicians.

[HOSPODARSKE NOVINY] Is the interest you mentioned also specifically economic? Does Russia intend to maintain close economic ties?

[Zieleniec] Due to circumstances, not only is Russia economically important to us because it is an enormous market, but we are also important to Russia. The bulk of its income in free currencies is from oil and gas. And Russia has very few routes it can use to export those raw materials. One of them leads across our republic—with all of the consequences linked to it. It pays transit fees to us, and, as a result, we can use them for our commerce. We have to maintain contacts other than those directly connected with managing that Russian export. Therefore, I think that Russia's interest in maintaining more extensive economic relations with us than our geographic location, size, and level of economic development would demand, is natural.

[HOSPODARSKE NOVINY] Do you consider trade between the CR and Russia to be satisfactory?

[Zieleniec] Of course, I do not consider the present situation to be satisfactory, primarily because the technical details of trade have not been resolved. It is difficult to meet the terms of payment, and there are difficulties in concluding transactions. Our economy is essentially privatized, it clearly operates according to the principles of privatization, and the businesses are in charge of their own decisions. A system with which we were extremely familiar in the not very distant past is still operating in Russia. The state administration, the individual branch ministries, the land agencies, and a number of others have a major influence on all business decisions.

[HOSPODARSKE NOVINY] Isn't this influence merely theoretical?

[Zieleniec] The influence is real, and it does not solely issue from the constitutional delineation of the agencies' authority. We, too, are very familiar with that from our own past. Smoothly functioning trade with Russia is important to us. It would not be easy to replace the Russian market with another one. In addition, trade is the basis of

political relations because the latter are largely dependent on economic relations. I would like to return to what I said a moment ago. We are politically important for Russia not only as a country that lies before it in the geographical sense of the word but also as a country that is moving toward the West. Therefore, I believe that trade with us should be an important parameter in the decisionmaking of Russian politicians. Of course, we are talking about a country that is experiencing enormous difficulties at this time, and the problems it is trying to resolve are extremely critical. The time frame within which decisions must be made is very short. As a result, it is more difficult for us to get trade started than we would like. Another obstacle to trade is the problem of old debts, not so much because it is a matter of money that we desperately need but because it is difficult to convince our businessmen to enter into business relations with Russian entities, when there is no certainty that they will get paid.

[HOSPODARSKE NOVINY] During your visit to Russia, you held talks with Arkady Volsky, the head of the Union of Industrialists and Businessmen. What possibilities does he see for mutual trade?

[Zieleniec] The union represents the top management of state and semistate enterprises—in other words, the basis of Russian industry. Mr. Volsky is very familiar with our economic reform, knows us well, and considers us to be important not because of the size of the market but for the reasons I mentioned a while ago. In other words, as a link to the Western system. Therefore, he is convinced of the importance of trade with us. I even arranged with him that the Union of Businessmen, which he heads, will draft a proposal for a schedule of mutual trade, which will eliminate the former obstacles, especially the problems with payment. Up to now, we have traveled to Russia with a first, a second, and a third proposal. But, of course, there is a different attitude toward a proposal drafted in Russia. When I receive the relevant documents from Mr. Volsky, I will hand them over to Minister Dlouhy, and we will try to work out some plan based on them. But I must emphasize that a method does exist whereby businesses that are preparing to trade with Russia could start to open the road to that market. It is difficult for a foreigner to find out how to obtain a license or how to open a payment channel. However, if an insider, someone from that country, is interested, it will naturally be easier for him to arrange such matters. I believe that enterprises that are oriented toward exporting to Russia—our large enterprises, which do not want to or cannot change the focus of their export—should consider accepting Russian businessmen as partners.

[HOSPODARSKE NOVINY] With what would Russian businessmen pay for such participation?

[Zieleniec] Even if a businessman merely opened up a payment channel, it would be worth it.

[HOSPODARSKE NOVINY] The outstanding debts owed to us by Russia were divided between the CR and the Slovak Republic [SR]. Wasn't that a somewhat unfortunate step, which will make negotiations on payment of debts more difficult?

[Zieleniec] That is merely a matter of technical details in relation to the negotiations—whether we negotiate together or separately. The logic of the issue is clear. If we negotiate together, our position will be stronger. If we negotiate separately, one of us may gain a small advantage, to the detriment of the other. But, in the final analysis, the one who rejects a joint process will also be a loser. I hope our colleagues in Slovakia realize that elementary truth, which we all learned in our textbooks. The Czechs are willing, but the Slovaks are sending us signals that they wish to negotiate separately. There are many similar issues between the CR and the SR at this time. Rational thought does not always prevail, and nothing can be done about it. At some point, we will have to put an end to it and start looking ahead.

[HOSPODARSKE NOVINY] Would Russia accept two states negotiating with it instead of one?

[Zieleniec] Naturally, it would be an advantage for Russia.

[HOSPODARSKE NOVINY] In that case, isn't there a danger that it will not honor its debts to the successor states?

[Zieleniec] If Russia were in such a negotiating position, a part of the benefit would be that it could take a new look at its debts.

[HOSPODARSKE NOVINY] The negotiations on the property settlement between the CR and the SR have officially gained international status. It seems that the Slovaks' opinions have once again changed. Do we have to change even the moderate optimism evoked by the Slovak president's visit to Prague?

[Zieleniec] We clearly stated, along with Ministers Moravcik and Toth, as well as in Hradcany, in the presence of both presidents, that the problem of the property settlement is made up exclusively of specific items. And I believe it was that statement that caused the mild optimism following the departure of President Kovac because, once we can enumerate what we still have to agree on, and we delineate the arena in which we will be playing, we will also be able to estimate how long the game will continue and how difficult the negotiations will be. There were no talks about issues like the Spise villages, the Czech flag, or the federal institutions' know-how. I am reluctant to believe the news in the media, and I will not comment on those

issues. I believe that what the Slovak minister of foreign affairs and the Slovak president stated in Prague is valid. As far as I am concerned, their word is as binding as in any other international negotiations.

[HOSPODARSKE NOVINY] Another critical issue in Czech-Slovak relations is establishing a state border. Do you think those negotiations can be concluded before the Law on Asylum in the FRG changes?

[Zieleniec] The border, as we have proposed it, is considerably above standard. It is the result of agreements we concluded with the SR—that is, of the fact that citizens of both our republics will be able to move freely across the borders whenever and wherever they wish. Thus, it is a matter of supplementing earlier negotiations about an agreement on border crossings. It means that officials from the state administrations of both countries would stand side by side at certain points along the border and would jointly deal with matters that cannot be dealt with elsewhere. The significance of border crossings is primarily that it will make it possible to direct all foreigners moving through the territory of our states to cross the border exclusively at those points. Therefore, it will make it possible to monitor the movement of foreigners to some extent and, thus, to limit the criminal activities connected with it. It is not merely a question of migration. Ninety-five percent, possibly even more, of drug smuggling passes through border crossings. People do not carry drugs on their backs. We do not have border crossings, and, therefore, we have no control whatsoever over that type of criminal activity. A border crossing is such a standard institution that there may not be two neighboring states anywhere that do not have border crossings and agreements about them. That is so, despite the fact that the countries involved often do not recognize each other. For example, Czechoslovakia did not recognize West Germany for a long time after World War II, but we did have an agreement on border crossings. An agreement on border crossings and on establishing such crossings will in no way endanger the free movement of citizens of the CR or the SR across the borders of both states. The statement that we wish to place barbed wire along the border and that we wish to create an Iron Curtain is ridiculous. Considering the situation in which we are, due to the enormous crime rate connected with the movement of foreigners, and considering the expected growth in the wave of emigration, our demand is absolutely minimal.

*** Foreign Trade, Proexport Measures Discussed**
*93CH0587A Prague HOSPODARSKE NOVINY in
Czech 14 Apr 93 p 11*

[Article by Jaromir Kubalek, researcher: "Signals Not To Be Overlooked; Czech Foreign Trade Performance and Urgency of Proexport Measures"]

[Text] Reformers relying in all matters on "the market's invisible hand" will surely disappoint their supporters if they neglect to watch the warning signals in the area of

external economic relations. There is reason to see a cardinal problem in the wholly unsatisfactory export efficiency of our production, in obsolete structures as well as new deformations caused by one-sided interventions in value relations.

First Signal: Decline in CR Share of World Trade

Comparing the growth in world exports with the decline in the export performance of the Czech Republic [CR] indicates a continuing substantial lag in our exports vis-a-vis the world.

CR Share of World Exports
(in million dollars)

1989	3,020,632	12,350	0.41 percent	\$1,199
1990	3,547,003	8,317	0.23 percent	\$ 807
1991	3,613,243	7,979	0.22 percent	\$ 775
1992	3,722,660	8,227	0.22 percent	\$ 799

For the purpose of comparison, it can be noted that, in the first half of this century, the Czech lands' share of world exports amounted to nearly 2 percent and, by the early 1960's, was still in excess of 1 percent. While in the 1948-88 period we were falling behind the world by 1.3 percent, in the past three years, the relative year-to-year drop accelerated to 18.7 percent. In absolute dollar terms, the 1992 decline represents one-third of the 1989 level (a year-to-year drop of 12.7 percent). The 1992 relative decline in the Czechoslovak industry's export efficiency affects both republics of the former federation equally. On a per capita basis, CSFR exports dropped from \$1,210 in 1989 to \$778 in 1992.

The CR has not fared substantially better in its export performance. In 1992, its exports amounted to only \$799 per capita, which is a mere fraction of the export efficiency achieved already in 1991 by Belgium (\$12,334), Switzerland (\$9,063), the Netherlands (\$8,874), Norway (\$7,990), or Denmark (\$7,536). The difference between the CR's export performance and that of small European countries fell from one-half (1948) to one-tenth. That situation is depicted on Chart 1 [not reproduced here]. A startling finding of the comparisons is that our export efficiency represents only one-half of Portugal's (\$1,539) or that of the Republic of Korea (\$1,662).

The decline in the CR's share of world exports is due primarily to the insufficient support for export activities by market-conformable tools of our industrial policy. Collapse of the East European markets may be viewed as a secondary factor. In addition, our own actions, especially in the form of hasty interventions by old-new management structures, contributed substantially to the decline. No economist in his right mind could like the "greenhouse" conditions in CEMA. But neither was there a reason for precipitately throwing stones in this greenhouse, where the CSFR held the largest share in terms of population and, hence, also bore the greatest risk from potential collapse. In 1990, we had a chance to correct the faults and the dismissive attitude the totalitarian regime displayed toward exports.

But even now, after three years of reform, we still lack an economic policy oriented toward expanding exports. The "privatization agony" of state enterprises is another factor in the decline.

The falling export efficiency is, to a large extent, connected with a destruction of the existing distribution network, which needed only to be divested of its monopoly character. Despite a 70-fold increase in the number of exporting subjects, we see a drop in the overall export performance of the CR, in the per-kilogram prices of exports and the actual exchange relations. It is not enough to praise the wide array of goods available from imports; one must ask how we will pay for the imports that are often unessential in nature.

Given the CR indebtedness (approximately \$6 billion), the unfavorable trend in our trade balance needs no further comment. Measured by our current export performance, we are in debt for almost a full year ahead. For the time being, even the surplus obtained from tourist trade (\$660 million for the entire CSFR) will not be enough to cancel out the trade deficit.

As far as the producing organizations are concerned, their export results are affected by general conditions that are not altogether conducive to genuine enterprise (high cost of credit, high inputs of imported materials, excessive taxes and administration).

Second Signal: Unfavorable Trends in the Structure of Export Production

Analyses as far back as in the 1960's have shown that, for our country, the road to higher export efficiency does not lead through production requiring high raw material and material-energy inputs. Nevertheless, the trend of rising exports of raw materials and semimanufactures continues—with all economic and ecological consequences. One of the reasons is that finished products find higher barriers on the world markets than raw materials or semimanufactures.

According to an IMF forecast published in *THE WALL STREET JOURNAL*, the current recession may be followed by growth in the world economy in 1993 but at a slower pace than in the previous recoveries. The IMF experts believe that, starting with 1994, the slower rate of growth will be affected by the relatively limited room governments have for the support of economic activities by traditional monetary tools (lowering interest rates and so on). This fact will unquestionably exert influence on the CR's external opportunities in the forthcoming period.

The low export efficiency is accompanied by an ongoing relatively high demand for imports—in particular, sources of energy. More than 19.4 percent of the total volume of foreign currency earned by exports was expended on imports of oil and natural gas. For OECD countries, the comparable import requirements result in an import "fuel bill" not exceeding 10 percent of exports. Together with the importation of luxury items and other nonessential goods for "boutique"-type stores, the purchase of entertainment gadgetry, and so on, this leads to narrowing the CR's room for importation of new technologies, particularly machinery and equipment.

Calculated on a per capita basis, CR imports in group SITC [Standard International Trade Classification] 7 (machinery, equipment, transport vehicles) in 1992 amounted to a mere \$341.60. If we eliminate from this amount imports of aircraft (\$370 million), passenger automobiles, and so on, we arrive at a sum below \$200, with which an industry transformation is impossible. Technology imports to comparable small countries reach tenfold.

The commodity structure of our exports continues to deteriorate. Exports of raw materials and semimanufactures are growing in absolute as well as relative terms (see Chart 2 [not reproduced here]), while exports of finished products fell to one-half (from \$6.23 to \$3.04 billion in 1989-92).

Exports of machinery (SITC 7) fell in 1991 to \$2.42 billion and further in 1992, to \$2.06 billion (a 29.4-percent share). Together with exports of various industrial products, the export of finished production represents a mere 36.97 percent. Thus, the bulk of our exports continues to consist of raw and other materials and semimanufactures—that is, commodities typical of developing countries.

Third Signal: Extremes of Territorial Orientation Persist

Another serious problem of our export structure is concentration on the neighboring FRG market, the share of which has more than tripled in 1989-92 (it reached 10.7 percent in 1989 and 33.3 percent by 1992). Even before 1989, studies prepared by the Forecast Institute of the Czechoslovak Academy of Sciences cautioned against a similar one-sidedness in exports (at that time it concerned the USSR). Small European countries conducting a rational policy avoid exceeding a limit of 25 percent in relation to any of their partners. The share of SNS [expansion unknown] fell from 44.3 percent (1989) to 17.5 percent (1991) and 8.5 percent (1992), almost to the level of neighboring Austria.

There is no need to emphasize that these are markets of vastly different economic dimensions.

Fourth Signal: Direct Foreign Investment

What we are able to back up by our own economic performance may be obtained, under certain conditions (and only temporarily), by means of credits or direct foreign investment.

Direct foreign investments in the CR in 1990-92 thus far represent cumulatively a sum of roughly \$1.55 billion. In 1992, direct foreign investment in the CR amounted to roughly \$900 million. The bulk of these funds goes not to production (technologies) but to the commercial sphere, to the manufacture of beverages, tobacco products, and the like—that is, not to branches capable of fostering more advanced structures of production and exports.

Examples of newly industrialized countries, particularly from the East Asian region, show that gradual structural changes raising the proportion of added value in exports and sustaining a high rate of growth in export efficiency can be achieved only by a thoughtfully designed industrial policy oriented toward exports.

In terms of capital assets formation, the Republic of Korea took first place in the world during the 1980's, with a rate of 28.8 percent in the GDP [gross domestic product] (Japan 27.7 percent; the FRG 19.3 percent; the United States 17.9 percent). The restructuring of Korean industries over a 25-year period (1960-85) required a sum of approximately \$28.5 billion (averaging \$1.14 annually).

One can find analogous examples in other newly industrialized countries of East Asia, attaining unprecedented rates of growth in both the GNP [gross national product] and exports. Numerous developing countries are achieving a better share of finished products in their total exports than the CR (Malaysia 42 percent, Thailand 54 percent, Singapore 72 percent—as compared with the CR's 37 percent).

The semiofficial Czechinvest agency created by the Ministry of Industry and Trade has set itself the goal of attracting \$10 billion in investments for the CR over a five-year period. Thus, the net investment per worker in the production and service sphere would amount to \$667 annually. This level would correspond to the investment activity of developing countries but not of the industrially advanced economies. In OECD countries, net investment per worker amounts to \$6,000 annually. CR imports of an investment character should, on the basis of cooperation with smaller advanced countries, reach \$2 billion per year. The evidence then is clear: Without increased export efficiency, our situation is unsolvable.

Fifth Signal: Human Factor in the Commercial and Production Sphere

Next to insufficient support for export activities, another cause of the unsatisfactory structural trends is deformations resulting from one-sided interventions in the exchange-rate policy and price liberalization, while wages remain regulated. This asymmetry of intervention in value

relations can be most graphically compared with an attempt to place two totally different "grafts" on a 40-year-old, deformed rootstock. Efforts to bring the prices of all production factors (except labor) speedily up to the world level have led to a situation where all material and energy inputs, imported machinery and equipment, as well as capital are, under the existing exchange-rate conditions, overvalued. The deformation is reinforced by high interest rates, causing difficulties to enterprise, and a high tax burden (especially the value-added tax and the tax on profits). All of this is at the expense of wages and salaries.

Devaluation as a part of shock therapy unquestionably raised the cost of imported equipment and technology needed for modernization and improved the competitiveness of our products. From a long-term perspective, the effects of an excessive devaluation must therefore be viewed as negative. Profits of the banking sphere (exchange-rate differences, interest-rate spread) are disproportionate in relation to both the world and the current level of expertise of their staffs and the quality of service.

What deserves note is the approach of government economists to the problems of financing production and foreign trade organizations, to their secondary payment insolvency caused, in most cases, by system changes. That involves particularly a rational, unbiased approach to financing their claims for the SNS. So, for instance, the enormous sum of dollar claims for the SNS (over \$400 million), where the Ministries of Trade and Industry and Finance, as well as the CSOB [Czechoslovak Commerce Bank], assisted in compiling an "indicative roster" of mutual deliveries in 1991, cannot be laid alone upon the shoulders of the enterprise sphere. Export deliveries in accordance with legitimate contracts stipulating payment "within 15 days at the latest" after delivery of the goods should have at least minimally assured the flow of exports and prevented loss of a market. But the purchasers' payments remain blocked at the Vneshekonombank and, even where specified in the contract terms of accreditation, are not honored. So it is necessary to seek remedy with the partner on a central level. It involves a breach of international obligations as well as of the law and commercial custom. It is not the enterprises alone that should pay for this situation.

The argument that the enterprises should have halted deliveries in time is moot. What was involved were contracts with as much as a year's production (delivery) cycle, and stopping the "rolling train" would have, in any event, meant a loss of billions in materials purchased and in fabrication (Kcs [korunas] 4 billion), money lost on wages, overhead and other costs of production already under way, and, especially, unemployment for some 120,000 workers for at least half a year. This, of course, on the assumption that we would be able to retrain those workers within half a year. In that case, we would have to pay unemployment benefits (about Kcs1.6 billion).

Producers of consumer goods as well as machinery supplied in this program directed by the center are stuck with those "uncollectible claims," which neither the Ministries of Economy and Finance nor the banks know what to do

about. On top of that, they are burdened by nonsensical interest of 18 percent annually. With penalties and "interest on interest," the enterprise sphere bears a burden of 38 percent until the end of 1992 (in absolute terms \$152.3 million, or Kcs4.38 billion). So, it is necessary to at least reduce the interest rate on those claims to 1.5 percent. Of course, the producers no longer accept orders from export firms that are unable to pay. But that undercuts export to other countries where there is no danger of nonpayment.

We are also being squeezed out of the SNS market because EC countries as well as those in the Pacific area (especially Japan and Korea) offer that "market of the future" government credits in spite of the known dangers.

For the necessary degree of demonopolization, it would have been enough to abolish the exclusive rights given by the commodity "delimitation." It would serve no purpose to physically liquidate those enterprises (including affiliates), many of which existed before World War II. Their personnel have many years of experience with selling our products, even in very difficult commercial-political conditions. It would involve not only the jobs of 10,000 specialized employees in commerce (trade representatives with good language and technical skills), but especially employment in export-connected branches of industrial production (here more than 100,000 jobs may be involved).

The expected wave of bankruptcies (in consequence of a chain of insolvencies, one of the problems that have been put off) can only accelerate the economic decline.

Instead of crippling the enterprise sphere by high interest rates on claims in the SNS, caused for the most part by a poorly thought out economic policy and a mechanical interpretation of reform scenarios, it will make sense to cover the loss from exports to the SNS incurred until 1991 by government bonds, until the time the center is able to "unfreeze" the payments.

With over 3,500 (instead of 50) subjects engaged, the country's export performance, exchange relations, and efficiency in working the foreign markets ought to increase. To the extent that that is not the case, the extreme fragmentation and loss of transparency evidently fail to meet the target. One must not overlook the world experience, for instance of Japan and other East Asian countries (Korea), where over 75 percent of foreign trade turnover is concentrated into five large companies that, as is known, are achieving quite extraordinary synergic effects. A foreign network, especially in distant countries, cannot be maintained by atomized producers and exporters. That makes it even more peculiar that EGAP [Export Guarantee and Insurance Association] prescriptions do not envisage expansion of the activities of well-established export organizations.

At the same time, it must be recognized that plans for future development in cases where foreign capital has become established in our enterprises no longer depend on our management or the notions of the central bodies of our state administration but, rather, on the strategies of those multinational corporations. It is surely not without interest

that it is precisely those corporations that have strong strategic planning staffs, assuring profit while minimizing risks.

Conclusions

Instead of a passive approach that "the market will solve everything," it is necessary to bring into play the expansive character of macroeconomic policy. Our economy lags behind the times and is in recession; eliminating obsolescence requires much greater and especially an effective long-term growth stimulation.

We must respect differences in the development trends of:

- Industrially advanced countries, where the supranational corporations, especially, operate on a higher absolute level and advance deliberately and purposefully toward new and improved structures and technologies. They thus leave nothing to the caprices of the market, and they create stimuli on both the demand and the supply side and act as catalysts of integration processes.
- Countries with an economy in transformation, such as the CR, where a passive concept of structural policy raises the danger that our future development will be in the tow of foreign companies, especially the large foreign investors. They will then logically capitalize on the comparative advantage of our low wages, which is obvious to them but to us problematic for the long term.

Our present problem does not lie so much in an unsatisfactory state of the economy (declining GDP, low export performance, trade balance in deficit, and the like), as in a threat to our future development, in the stagnation of unfavorable structures coupled with a low level of our labor's added value. We face here the serious risk of a further long-term lag behind Europe. EC experts are already talking about a period of at least 20 years required by Central European countries to attain the level of the Community's least advanced countries (Greece, Portugal).

In the case of extreme necessity, it will be the right thing not to hesitate about introducing foreign currency regulation, which the First Republic had for most of its existence. The Republic of Korea, too, in spite of outstanding economic successes in the growth of both the GNP and exports, has preserved a reasonable system of regulation for more than 30 years, setting limits particularly on the importation of foreign cars, tobacco products, luxury goods, and so on.

To recapitulate the possible forms of aiding export (which are undoubtedly less costly than devaluing the koruna), they are:

- Bringing the interest rates for exporters down to world standards (for instance, the London interbank trade or LIBOR, which is about 8-9 percent).
- Providing credits for old claims for the SNS resulting from government policy at specific rates (1 or 1.5 percent), or covering them by government bonds.
- Lowering the rates of value-added tax to the average European level (approximately 15 percent).

—Reducing taxes on export profits to 30 percent. Export volume can be readily established from the applications for subtraction of the value-added tax. Or, possibly, one could progressively increase tax rebates according to the growing proportion of the value added to the volume of exports (a value added of up to 20 percent of the FOC [free on car] price would have no rebate; a value-added share in excess of 50 percent would have a rebate of at least one-fourth of the tax).

—Completing the EGAP system (including credit insurance), making it more effective and targeted at product and technological innovation.

In this way, we would not have subjective decisions by ministry officials but, rather, simple rules that, if followed, would give the exporters an undeniable claim to preferences. That, incidentally, is routine practice in the world.

CR Foreign Trade in 1992

	In Million Kcs	In Million Dollars	Per Capita (Dollars)
Exports	229,400	8,227	798.7
Imports	255,483	9,014	875.1
Balance	- 26,083	- 787	- 76.4

* Economic Consequences of Federation Dissolution Seen

93CH0587C Prague *EKONOM* in Czech 21 Apr 93 pp 21-22

[Article by Stanislava Janackova of the Economic Institute of the Czech National Bank: "Breakup of the Federation: Economic Consequences"]

[Text] Even before the division of Czechoslovakia, there was an effect of the expectations of enterprises as well as households that gave an early impetus to the process of disintegration of the unified federal economy into two national economies. But it will be only in this year that enterprises will pass through the decisive stage of adaptation. The entire process was strongly accelerated by the currency separation. The Czech economy's starting position is, on the whole, more favorable than is the case of the independent economy of Slovakia. Nevertheless, in the Czech Republic [CR], too, the short-term costs of dividing the state and the currency will be high. The breakup of the federal economy took place in the midst of the transformation process and, from a short-term perspective, means an added risk for that process. That risk can be converted into an opportunity for a more rapid and deeper transformation of the Czech economy, but it will require a high degree of adaptability on the part of Czech enterprises. Developments in 1993 will show whether enterprises in our economy undergoing transformation are capable of such radical and rapid adaptation.

The economic policy of the federal and Czech governments pursued from the very start the goal of reducing the speed of the breakdown of traditional economic linkages, thus

giving the enterprises more time for the necessary adaptation. The same goal motivates the clearing agreements negotiated with Slovakia after dissolution of the common currency. But the disintegration of mutual linkages in the enterprise sphere runs in many respects ahead of the measures that can be taken within the limits of consensus of the two governments.

Situation Before Federation Dissolution

At the end of 1992, the main macroeconomic indicators of the CSFR economy offered a picture of a parallel operation of tendencies toward a further decline in some areas and stabilization in others, as also, in constantly increasing measure, symptoms of revival in certain sections of the economy. There has been a revival in the sphere of consumer demand, while the investment area has hit bottom. Construction activity increased throughout 1992, while industrial production showed first a slowing of the decline and, in the last quarter, stagnation. That divergence was connected with, among other things, slower progress of privatization in industry as compared with that in construction, and with the shift toward a service economy, where a drop in the industry share and an increase in the share of services means catching up with worldwide trends that had been artificially reined in here in the past. While the unemployment rate remained favorable, a warning signal was the continuing decline in labor productivity. On the other hand, an encouraging sign of enterprise adaptability was the growth of exports to the advanced market economies. Trends in the balance of payments, foreign indebtedness, and inflow of direct foreign investments also were, on the whole, favorable.

On the microeconomic level, the transformation process was still in its initial stage. Positive results undoubtedly followed the liberalization of prices and foreign trade, which, at the same time, signified a certain measure of opening up our economy to foreign competition. Small privatization has been virtually completed, but progress was slower in big privatization. Toward the end of 1992, the private sector accounted for more than 60 percent of retail trade activity and more than one-third of construction industry output but only one-fifth of industrial production. At the end of 1992, the private sector in the CR accounted for 22 percent of the gross domestic product [GDP].

But the main problem of the microeconomic sphere was the virtual absence of a mechanism for weeding out inefficient enterprises. Suspension of the bankruptcy law reflected the entire complexity of the situation in the enterprise sphere, where payment insolvency and mutual indebtedness posed a threat of bankruptcies even of viable businesses. On the other hand, a mutual granting of credits meant for the enterprises a continuation of soft budgetary restraints so that the effect of a market mechanism on the efficiency of business decisions was substantially weakened.

In the area of coupon privatization, even at a time when its first wave was not yet completed, certain results became noticeable as early as 1992—the investment privatization funds as the great future owners began to claim influence on

the enterprises. But the decisive effort to force changes in the conduct of enterprises, connected with addressing the issues of payment insolvency and bankruptcies, was, in consequence of the division of the state, put off until 1993. One has to expect that the trends in economic policy in the two independent states will diverge in this area as well, which will further complicate mutual economic links on the enterprise level.

Differences in Starting Positions of Czech and Slovak Economies

The divergent macroeconomic development of the Czech and Slovak economies in 1991 and 1992 reflected not only a difference in the impact of economic reform but especially the different level of efficiency of the two national economies. According to an analysis in June 1992 by the Vienna Institute for Economic Comparisons, CR inhabitants, representing 66.1 percent of the CSFR population, had a 70.8 percent share in the creation of the GDP. The Czech GDP per capita was 43,994 korunas [Kcs] in 1991, and the Slovak Kcs35,424, thus 24 percent lower. According to the same estimate, labor productivity in Slovakia was 7.8 percent lower than in the CR; the average industrial wages in Slovakia were only 1.7 percent lower than in the CR.

A long-term difference between the CR and the SR [Slovak Republic] has existed in terms of the creation and utilization of the GDP. In the entire postwar period, it was an accepted fact that the GDP used in Slovakia was higher than the GDP created there. That tendency persisted in 1992, when the transfer of resources from the CR to the SR was estimated at Kcs25 billion. Discontinuation of that transfer will have a negative impact on GDP utilization in Slovakia and, therefore, also on the demand for imports from the CR.

The lower macroeconomic efficiency of the Slovak economy has come up also in the negative value of Slovakia's total net exports and in the fact that the SR's balance in mutual trade with the CR showed a deficit. The SR has, for the long term, a greater need of imports, and, in the structure of Slovakia's imports an appreciably greater place was occupied by imports from countries of the former CEMA. Also in regard to exports, the Slovak economy is more prominently oriented toward countries of the former CEMA. In 1992, the SR balance for goods and services ended with a deficit estimated at Kcs19 billion. That, in conjunction with an unfavorable trend in the capital account of the payment balance (in 1992, 93 percent of the influx of direct foreign investments flowed to the CR), is creating latent pressure for a devaluation of the Slovak currency or administrative measures to restrict imports that would endanger the customs union with the CR.

Trade between the two republics in 1992 was characterized by a drop in exports from the CR to the SR, by nearly 17 percent as compared with 1991, and by a steeply rising CR surplus in trade with the SR, which, according to estimates in the Czech Statistical Office, doubled in 1992 (from Kcs8.2 billion to Kcs16.3 billion).

Those data suggest that entrepreneur expectations relating to the division of the country (and, ultimately, also separation of the currency) have led, especially in the second half of 1992, to adaptations geared to a decline in mutual economic relations. At the same time, they signify that Czech producers were confronted with a sizable drop in mutual trade with Slovakia as early as in 1992. So far, they have been able to replace the loss of exports to the SR to some extent by exporting to the advanced market economies.

On the other hand, the growth of the CR's surplus and a more detailed analysis of the flow of goods and services between the CR and the SR attest to the fact that the dependence of the Slovak economy on the Czech economy has increased somewhat, particularly in the following commodities: foodstuffs, raw materials, and fuels. The decline in exports of industrial products from Slovakia to the CR (by 27 percent) was higher than from the CR to Slovakia (a 22-percent drop).

It is clearly evident that many of the traditional ties of trade and cooperation between the Czech and the Slovak economies will not be rational in the new conditions. Thus, the issue is that the decline in mutual trade, which will have to be countered not only by deliveries within the CR and trading with other territories but also by changes in the structure of production, should not be too precipitate or greatly exceed a measure of rationality from the perspective of longer-term needs.

The new payment agreements between the two republics provide the necessary framework for mutual trade but, of course, cannot guarantee that partners from the other republic will be able and willing to meet their commercial and payment obligations. On the macroeconomic level, it will be necessary to settle the deficits in mutual trade in hard currency and, over and over again, raise the question of adequacy of the SR's foreign currency reserves. Both real possibilities of a resolution—devaluation of the Slovak currency and regulation of imports—will have a negative impact on mutual trade.

Impact on Czech Economy

The Czech economy entered 1993 with rather favorable prospects for a continuation of revival trends, with an expected GDP growth of 1 to 4 percent. But it was clear that, within that interval, the cardinal question for an actually realized growth would be the impact of the decline in trade with the SR. At the beginning of the year, there existed on the Czech side basically three scenarios for the decline of exports to the SR, differing in their assumptions about the extent of Slovak currency devaluation and the size of the decline in trade following from it:

- Moderate (government), reckoning with a 10- to 15-percent drop in mutual trade or Czech exports to the SR.
- A Czech National Bank estimate, expecting a decline of up to 30 percent in Czech exports to the SR.

—A so-called cautionary scenario of the CR Ministry of Industry and Trade, reckoning with a 40-percent decline in Czech exports to Slovakia.

Those estimates would have the following impact on a decline in the CR's GDP: in the first case, by 1-1.2 percent and, in the second, by 2-2.5 percent; the third case would mean a GDP drop of 3-3.5 percent (caused exclusively by the decline in trade with Slovakia, with the overall rise in the GDP remaining within the 1-to-4-percent range). If, instead of a devaluation, Slovakia restricts imports from the CR by other measures, the impact on the GDP would again be proportionate to their extent.

So far, the Slovak currency has not been devalued, and administrative measures have not been introduced. The decline in trade with the SR alone during the first month the clearing system was in effect was, however, estimated at 45 percent of last year's monthly average, with Czech exports to the SR falling to roughly 60 percent and imports from the SR to about one-half. It would be premature to draw long-term conclusions from developments in the first month; the figures are nevertheless alarming.

The decline in trade with Slovakia hits the CR at a time when the adaptability of enterprises will be subjected to strong pressure for other reasons as well. Since the beginning of the year, a new system of taxation is in effect, having an impact on the financial situation of the enterprises. The privatization process will continue by completing the first wave of coupon privatization and starting the second wave. But, especially, after working out amended legislation, a bankruptcy law will take effect. The purpose of the amendment is to diffuse the impact of the law on the enterprise sphere by offering more time and to protect viable businesses. To the extent there will be a confluence of the effects of the bankruptcy law and the consequences of the decline of their trade with Slovakia, the situation of the enterprises will be made even more difficult. For those reasons, 1993 will in many respects be critical for the further progress of transformation, especially in the microeconomic area.

But the decline in mutual trade is in part also a process of adaptation to the new conditions. When the economy will have adjusted to the drop in Slovakia's share of the CR's foreign trade, the relative importance of the problem of mutual trade will also diminish, and other factors will be decisive for the growth of the GDP. From a longer-term perspective, the disintegration of a part of the mutual linkages will, on the contrary, be an impulse for a faster restructuralization of both economies. Also, the resolution of bankruptcy and insolvency problems will release, over a longer period of time, resources for more effective utilization. The expected rise in domestic investment demand ought then to gradually bring about a situation in which the CR will be relatively less dependent on exports as the source of GDP growth. That would mean, at the same time, embarking on the next stage of transformation, in which internal factors become a more significant source of growth, and dependence on developments in the outside world is reduced somewhat.

*** Bankruptcy Law, Implementation Viewed**

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[Article by Frantisek Zoulik: "Keep Calm. Bankruptcies (at Last) at the Door"]

[Text] When, recently, the CR parliament adopted an amended law on bankruptcy and settlement of liabilities (Law No. 328/1991 of the "Law Gazette") it attracted greater attention than is usually paid to a resolution of some special legislative problem. The reason is simple: Whereas, in advanced countries with functioning market economies, bankruptcies are a marginal phenomenon (in the United States their number in proportion to the number of entrepreneurial subjects never exceeded one-thousandth annually), in our country bankruptcies are a mass threat.

That was so already in 1991, when the law was being passed. The insolvency of state enterprises and trade companies with exclusive state participation already then acquired such proportions that, with the interlinked relations between them, there was danger that the failure of one would cause the failure of others. Fear of a chain reaction had the result that the bankruptcy law (as the law on business failure and settlement of obligations is usually called) was indeed adopted, but its force was substantially limited. In state enterprises or companies with exclusive state participation, it was permissible for one year to propose bankruptcy only in case of their being overindebted, not just insolvent. There is a fundamental difference between those two forms of failure. While insolvency as inability to meet obligations that are due expresses only the debtor's financial situation, in overindebtedness, his entire assets are taken into account; it means that obligations exceed commercial assets, with both expressed in their book value. Whereas insolvency is essentially a routine affair, overindebtedness is declared only in extreme cases. Thus, if the law conditioned the failure of state enterprises on indebtedness alone, for all practical purposes, it prevented them from being declared bankrupt. The one-year period during which this restriction was in force was extended in October 1992 for another six months (Law No. 471/1992 of the "Gazette") and expires on 22 April 1993.

How To Stave Off an Avalanche

The danger of mass failures when the bankruptcy law comes into full effect persists. Nevertheless, there is a new postponement, but the amended law takes a different road. It seeks a certain way to minimize the negative impact of the law that can be expected in the beginning, when it takes effect, and also to make the law effective to its full extent. It is that a market-based economy cannot operate for a protracted period of time without such legal statute. Fears of a wave of bankruptcies actually overshadow the positive aspects of that enactment. Those consist primarily in the fact that failures that occur in any event are resolved in a legal manner and that their negative consequences are spread to all affected economic subjects. Moreover, through bankruptcies, society rids itself of entrepreneurs

who failed. And, finally, the very existence of such legal arrangement helps steer the conduct of economic subjects. They will seek to avoid the untoward consequences brought about by a legal resolution of bankruptcies.

To make clear what kind of solutions the amended legislation offers in an effort to mitigate and diffuse the expected wave of bankruptcies. It is necessary to characterize the bankruptcy proceeding and the settlement proceeding. Both proceedings have a great deal in common. First, they have in common their purpose and goal: Both represent a legal resolution of a bankruptcy, and the proven fact of a failure is the basic requirement for initiating them. They also have in common the principles on which they are founded: In both proceedings, the issue is that the creditors of a debtor who is in bankruptcy get satisfaction in an equitable manner so that the burden of failure is not borne by only some of them. Finally, they have in common that both are proceeding before a court of law: This distinguishes them notably from a liquidation of commercial companies or other legal entities that are carried out by a liquidator in accordance with the Commercial Code.

Differences Between Bankruptcy and Settlement

But here the common features of bankruptcy and settlement substantially come to an end. It is that both proceedings differ from each other materially in the extent of disposal power accorded each party—that is, the debtor (the bankrupt) and his creditors. A characteristic feature of a bankruptcy is that it involves a procedure governed by strictly defined rules, from which it is possible to deviate only sporadically and then only in cases stipulated by law and only in a manner provided by law. In contrast, it is typical for a settlement that it offers the parties a relatively broad range of choices; the debtor himself comes forward with a proposal on how to resolve the failure by a partial satisfaction of his creditors, and the creditors take a vote on whether to accept his proposal. Hence, one may compare the two by saying that, while the resolution of a failure by a bankruptcy proceeding resembles the resolution of a court case by a verdict, a settlement resembles a court reconciliation.

The bankruptcy proceeding has a definite sequence derived directly from law. The first stage is a determination whether a bankruptcy proceeding is to be instituted; in this stage, between proposing a bankruptcy and declaring it, the court must carry out an often complex investigation of whether a failure in fact exists, and whether the debtor has several creditors among whom the consequences of the failure would have to be distributed. (In a case where an overindebted debtor has only one creditor, a bankruptcy proceeding is not necessary because the creditor can satisfy his claim by an ordinary writ of execution). A bankruptcy declaration is the decisive point in the entire proceeding because, from that moment, all consequences of a bankruptcy come into effect, among them, primarily that the debtor loses control of property subject to the proceedings—that is, of the bankrupt's assets. (That control passes on to an asset administrator appointed by the court.) Further, that the creditors may not press their claims

independently, that, by law, any litigation currently under way is halted, that claims not yet due become due, that the debtor's limited liability co-ownership is terminated, and so on. The bankruptcy declaration (based on a court finding, served, posted on the court's bulletin board, and publicized so that it can become generally known) is followed by creditors coming forward and an examination of the validity of their claims. After that comes an inquiry into the size of the bankrupt's assets (that is, property subject to the bankruptcy proceedings) and its monetary worth. The process becomes complicated by the so-called incidence disputes, meaning disputes occasioned by the bankruptcy proceedings that require a resolution of contested issues that have a bearing on the conduct of the proceedings. Those include complaints against denial of a claim (or its amount or order of preference), complaints about the exclusion of a property item from the bankrupt's assets (so-called excision suits), complaints about the settlement of limited liability co-ownership of spouses, and so forth. The bankruptcy proceeding usually concludes with a schedule that determines in accordance with the established rules how the proceeds from the sale of the bankrupt's assets are distributed among the creditors.

Completion of the bankruptcy proceedings cancels the effects of the bankruptcy judgment. That means that the debtor can again on his own make decisions about his property or what is left of it, creditors can again independently make their claims and demand their satisfaction, and so on. The essential point is that debts that had not been satisfied do not lapse. So, if in the bankruptcy proceedings they had been satisfied for instance to 30 percent, the debtor continues to be liable for the remaining 70 percent. So a bankruptcy means the "death of the entrepreneur" because, if, in the future, he acquires any property, it will be instantly seized by his creditors.

Bankruptcy and Creditors

A bankruptcy proceeding naturally in most cases does not satisfy the creditors, either. It is a protracted process (several years of duration are not exceptional), relatively costly, and not very productive in its results. Therefore, an effort was made to find another legal way of resolving failures, which was found in a settlement. The essence of a settlement is the debtor's offer to settle with the creditors for a certain portion of their claim (in practice, always more than one-half), with the proviso that the discharge of that obligation will be assured by one of the methods of assuring the discharge of obligations. As soon as the settlement is accepted by a qualified majority of creditors, approved by the court, and carried out, the debt is expunged also in its unpaid portion so that the debtor can resume doing business "with a clean slate." It seems that a settlement is an almost ideal resolution of a bankruptcy situation because it enables the debtor to carry on as an entrepreneur, and the creditors gain minimally—at least as much as they would through the bankruptcy process but much faster, more operatively, and at a much lower cost. But the experience of advanced countries suggests that a settlement is resorted to only sporadically because debtors fail to offer terms that would be acceptable to the creditors.

Lately, a certain modernization of the bankruptcy process is being carried out in advanced countries (for instance, the United States, France, and Austria). The common denominator of those revisions is a simplification and acceleration of that process and an effort to keep the business in operation even during the bankruptcy proceedings and afterward. While our amended legislation on bankruptcy and settlement adopts some of the ideas of those modern revisions, it still cannot be regarded as being guided by the same considerations. The priority goal of our amendment is to resolve a special situation consisting of the danger of a mass wave of bankruptcies; that goal affects all of the changes it is introducing. (It is not a conceptual modernization of that legal field).

What the Amended Law Addresses

The changes introduced by the amended legislation can be characterized as follows:

1. The most important change is the introduction of a so-called period of protection, which, upon the debtor's request, can begin practically right after the proceedings are instituted. During that period, the court may not continue the proceedings and may not declare a bankruptcy. That period allows for an opportunity to have the debtor's situation of failure resolved out of court, meaning by negotiations between him and the creditors, in which other subjects may also participate—in particular, the debtor's founder, the consolidation bank, and, in certain cases, the Ministry for the Administration and Privatization of National Property. The period of protection, in principle, lasts three months, but, with the consent of the committee of creditors, may be extended for another three months. It ends either by resolution of the debtor's situation of failure, in which case the bankruptcy proceedings are called off, or without such a positive conclusion, whereupon the court will declare a bankruptcy and the proceedings will take their legal course. During the period of protection, the debtor can also propose a settlement.

2. The second substantive change involves the handling of individual cases of collision between the privatization process and bankruptcy proceedings. That specific revision replaces the present provision, according to which a declaration of bankruptcy interrupted the privatization process. The amended legislation's revision provides that, in the case of subjects earmarked for privatization, the proceedings will be joined by the Ministry for the Administration and Privatization of National Property, which itself may propose a period of protection and will be actively engaged while it is in effect. In individual cases, there will by law be a longer period of protection, making it possible that, during that time, privatization becomes finalized and the new owners can take the necessary steps in regard to the acquired property. A special regime applies to coupon privatization because, from the time an enterprise is selected for that form of privatization (assuming that more than 50 percent is to be privatized in that manner), up to two months from the issuance of shares to owners, no time limits will apply (the period of protection also does not run during that time); that provision makes it possible both to

complete the coupon privatization process and for the new owners to make decisions relating to their property.

3. It provides for restricting the rights of the enterprise-debtor's management in two respects. First, during the bankruptcy proceedings (that is, after a declaration of bankruptcy), their wage claims will be honored only up to 10,000 korunas per month; to the extent that they exceed that amount, they will be honored only proportionately together with other claims. Second, those employees may not acquire any assets involved in the bankruptcy, not even if they are sold at auction; that ban also applies to people close to them and to commercial companies in which they are partners (or officers in a corporation). The purpose of those restrictions is, first, to prevent top managers from misusing their special knowledge of the bankrupt's situation and, second, to give them an incentive to work for the fastest possible and trouble-free conclusion of the bankruptcy proceedings.

4. A specific revision concerns entrepreneurs in primary farm production. A view of the production cycles that exist there at bankruptcy may not be declared between 1 April and 30 September. Moreover, bankruptcy may not be declared for entrepreneurs who are independent farm operators—this until the end of 1994; here the legislation's purpose is to protect people who acquired property through restitution.

5. The position of creditors is strengthened. If there are more than 15 creditors, they are obliged to form a creditors committee, which has certain powers in the process. Those must be respected by the court.

6. The amendment makes it possible that, in a bankruptcy, the enterprise may be sold as a unit, with the proviso that the proceeds will be used to satisfy all creditors, not only those whose claim is related to the enterprise's operation. It is a revision of a special character in relation to the contract on the sale of the enterprise in accordance with the Commercial Code.

7. The amendment prohibits the use of proceedings under this law to resolve matters of property of a territorial self-government unit and other subjects of public law.

The primary importance of the amended legislation is that it will spread the expected wave of bankruptcy applications over a longer period of time and thus provide a time frame for resolving failures in different ways. Thus, evidently, there will be no advantage in a hasty reaction to the start of the full effect of the law and in immediately proposing bankruptcy against all debtors, apart from the fact that that could involve proposals within a certain circle of subjects and push into the wave of bankruptcies also enterprises that essentially do not belong there. That would render more difficult and delay resolution of the problems of enterprises that are truly bankrupt. Therefore, after 22 April 1993, all economic subjects ought to keep calm, choose their courses of action deliberately, and avoid overhasty proposals.

* Geremek Discusses Government's Chances of Survival

93EP0246A Warsaw *POLITYKA* in Polish No 17, 24 Apr 93 pp 12-13

[Interview with Bronislaw Geremek, leader of the UD parliamentary club, by Janina Paradowska and Jerzy Baczynski; place and date not given: "A Deserted Stage"]

[Text] [POLITYKA] You spent the past three months commuting between Paris and Warsaw—there, weekly lectures in the College de France; here, you faced daily battles with the problems of Polish politics and with coalition crises. Did those moments of escape from Wiejska Street help you to look differently at Polish affairs?

[Geremek] I realized that we ourselves underestimate how positive the picture of our country is in Europe. I must admit that this constant moving from a climate of political fever to an intellectual climate, a move that describes my whole adult life, has also contained a kind of fission. The most difficult moment was always the return from France. When I read Polish newspapers on the plane, I had a feeling of astonishment that did not leave me even after a few hours in the Sejm, and that always irritated my colleagues. Astonishment that many small affairs and details are treated so very dramatically, and yet we still work things out somehow. Only after a few hours did problems begin to seem dramatic to me, too.

One cannot conduct politics in Poland today without appreciating the drama of small matters. If one wanted to sum things up, one would have to say that we succeed but that everything in which we succeed is constantly threatened.

[POLITYKA] Where do you see the greatest dangers?

[Geremek] In the linking of justified social frustrations to political extremism.

[POLITYKA] Where do you see political extremism?

[Geremek] In groups that appeal to the street and try to play politics on the street.

[POLITYKA] Like the "Self-Defense" and the "Network" groups.

[Geremek] Let us go further: Let us recall the manifestations in front of the Belweder and the Office of the Council of Ministers. In every case, there were politicians present; I treat that as a very dangerous and threatening fact because right now we can observe the exhaustion of parliamentary institutions and institutions of organized political life on an unheard-of scale. If you ask anyone where a citizen can go for help, he will not mention the politician he himself chose. He will list the Army, the police, the church, good people. A normal relationship between rulers and the ruled is not being reconstructed; the political stage functions in a sort of vacuum; the habit of using the democratic mechanism is not emerging in the social consciousness.

A Class Without Class

[POLITYKA] True, the scale of devastation of political life is enormous. Not that that is Poland's specialty today, but that desertion happened unusually swiftly here. Why?

[Geremek] The political class itself shares the blame and not only because it is of poor quality but also perhaps, above all, because Polish politicians are unable to persuade people to their side by maintaining some proposal for the future, or by holding on to some principles or a system of values. Rather, they eagerly say what people like and want to get the acceptance of society in that way. And that is precisely the shortest definition of populism.

[POLITYKA] We are speaking a few days before the congress of the Democratic Union. What do you expect from that congress?

[Geremek] In the present coalition, the Union is in a position from which it is difficult to win understanding and acceptance of what it is doing. That is especially true of the younger generation, which I consider to be a key. Those who are the Union's backbone expect it to speak clearly, in a tongue with which one can rationalize the world today and define toward which future we are heading.

[POLITYKA] In the Union today, Barbara Labuda and Wladyslaw Frasyniuk are speaking in a clear voice.

[Geremek] You are trying to provoke me into saying bad things about journalists, which is something a politician should never do. Journalists created the myth that the Union is undefined, unclear. I say that such a picture is the result of the weakness of journalists' analytic instruments. The picture is much clearer for the public. And I do not just mean that the Union is doing well in polls. The Union responds to certain mass social needs because it opts for changes and stabilization. That is right—for stabilization. That is very important because society is unsettled by its own situation and is uncertain of the future; the Union is that force that says one should change without destroying that which ought not to be destroyed. The future of Poland is to a large extent played out today not in Warsaw or Krakow or other large cities but in two incomparable places: on the one hand, in small and medium-sized cities, where the appearance of real chances for development has been felt only to a very small degree, and in Silesia. There is not a political party that would be able to state clearly what it wants for Silesia and for the Poland of small and medium-sized cities. I expect that the Union will do that at the congress.

[POLITYKA] What should the Union say?

[Geremek] I do not have a ready solution. I have the impression that we have not yet asked ourselves that question.

[POLITYKA] Why, exactly? After the Tyminski experience, we know that such a question exists.

[Geremek] If we look at the behavior of political parties, it is easy to see that almost all parties are thinking about that,

but who has been able to respond to the Tyminski phenomenon? The Democratic Left Alliance [SLD], the Confederation for an Independent Poland. The Movement for the Republic [RdR] is trying to do so. But what is that response, and what does it bring with it? Does that response really see transformations as an opportunity? The parties that stand for transformations have not been able to take up that question effectively. If they are also unable to do so in the future, the situation may become threatening.

A Friendly Division

[POLITYKA] The position on the church is also a challenge to your party. Here, too, one must speak with a clear voice—and, in the Union, Labuda or Frasyński say one thing, while Tadeusz Mazowiecki says another. And Jan Maria Rokita is saying something else entirely when he proposes that the church define its position on the reforms and give support to those reforms.

[Geremek] The problem of attitude toward the church is one of the important factors making up Polish political life. The ongoing debate on that topic in the Democratic Union is not a dramatic one. There is no division in the Union over attitude toward the church. The conviction is universal that the principle of division between church and state is a wise means for both the state and the church in which to function. After Jerzy Turowicz, we call that the principle of friendly division. That arouses antipathy from some representatives of the church hierarchy because the church was repressed by the communist authorities in the name of separation of church and state. There is a need for dialogue on that matter in order to make it clear that it was not the principle of division that was the reason for repression but, rather, the nature of the system.

There is, however, a disagreement within the Union concerning a certain tradition of anticlericalism. Anticlericalism has always been one of the existing European currents and has nothing to do with atheism or a hostile attitude toward Christianity. In the Union, I am one of those who believes that, in a Catholic state—not a confessional state but one with a certain depth of religious experience—anticlericalism is harmful. Moreover, it evinces from the church, which is a powerful institution, a tendency toward direct intervention in public life and strengthens tendencies toward creating a confessional state.

A second problem around which there are basic differences of opinion is whether to expect support from the church for modernizing reforms. Here, positions are quite varied. I believe that one should expect such support. Jan Rokita does, too. Tadeusz Mazowiecki and Adam Michnik maintain that one should not. That is an intellectual argument of great import. Why is such support expected? The modernization of Poland is an unusually painful process, especially as far as changes in the social structure, the movement of people from village occupations to city ones, are concerned. That is a very dramatic choice for the church, which has always had confidence in the village community, while treating urban communities, especially worker communities, with a certain unease. A structure of worker ministries was created only after the experience of Solidarity and the

martial law period. So, if a program of such dramatic social changes is being carried out, a program that is not directed against anyone but creates other chances for people, the role of the church in that action could be enormous, under the condition that the church itself change its way of thinking and get rid of certain frustrations and fears. I believe that, from that point of view, we are at a very important crossroads. Above all, the church is at such a crossroads.

A Long Transition Period

[POLITYKA] We will stick by the charge about the Union's lack of definition, but we will ask it somewhat differently: To whom does the Union address its program, and whom does it see as its electorate? Most social strata would seem to be lost to the Union: The village has its parties; several other parties have made themselves at home with the heavy-industry working class; the private sector leans more toward the liberals. The Union seems to be the party of big-city intellectuals and nostalgic supporters of the Solidarity ethos. If clearer interests emerge within the confines of that group, which will undoubtedly occur, the Union will be erased.

[Geremek] Answering honestly, as an intellectual, I must say that those are substantive doubts. A fundamental change whose direction is not fully known is taking place in the political processes of the contemporary world. The political layout does not correspond to the model of public life, inherited from the 19th century, in which parties, especially class parties, played the basic role. But now, defending my party, I can answer like a politician: If you were right, you would not be speaking with me at all because, in that case, what would the Union be? It could gather its supporters on one of the small squares. Meanwhile, it is the largest political force. Is this a transitional stage, as your question suggests? Today, the only class party on the Polish political stage is the party of the village, regardless of the differences that appear between the particular groupings. No other party has such reference points.

The Union turns to the community of business people and hopes to gain the confidence and support of that community because no business people's party will ever come to power and wield power in any democratic country. Power must be wielded from a social mandate—that is, with a mandate from large social groups. The Union is a grouping that is able to translate the interests of business people into the interests of the people. It is business people who create and will create opportunities for the great masses of people. A change in the social structure of the village is an unavoidable process. In Spain, 100,000 people every year move from the village to occupations beyond the village, and it is precisely the private sector that creates the work positions. And that sector is doing so in Poland already, for the heavy-industry working class, as well. So the Union wants to be a party that will show the link between a wise policy of supporting business and the interests of major social groups and does not take advantage of social frustrations. The interests of many different groups can be expressed in the Union, but it will never be a party of a class interest,

and it will not be a party that is lodged in the traditional 19th-century model of European parties.

It is difficult today to predict the further development of the political scene. I do not exclude the possibility that parties like the Union are tied to a transition period. But that transition period might last a very long time.

[POLITYKA] To return to the Union's internal struggles, for some time we have had the impression that a coalition with the Christian-National Union [ZChN] has become difficult to bear for a significant part of the party and for the Democratic Union's Parliamentary Club. That was particularly evident during your absence from the country.

[Geremek] I believe that the coalition is functioning well, beyond expectations. Its successive crises have, of course, had their drama, but the conclusions have been rather calm. This coalition is the result of the voters' will....

[POLITYKA] Surely not entirely. It is difficult to say that the Democratic Union's voters opted for such an alliance.

[Geremek] Neither the Democratic Union nor the ZChN received such strength from the voters that they might create a government on their own conditions. The largest groupings in the Sejm have, by the will of the voters, 12 to 13 percent each. I know how politicians fume when the Union and the Liberal-Democratic Congress [KLD] call themselves the "reformist camp." But anyone who glances at the Sejm chambers can see in the course of voting where the camp of reform supporters ends. In this situation, the ZChN is located in the middle, sometimes leaning to one side and sometimes to the other. In the area of the economy or the model of civilization, this coalition is certainly more problematic for the ZChN than for us; on the other hand, in the areas of culture or politics, it is more difficult for us. However, I do not see the possibility of a coalition setup other than the one that exists.

However, if I have been speaking about the need to broaden the coalition from its very inception, that is because a coalition government that wants to conduct a policy of deep reforms cannot be subject to chance winds that bend the voting results this way or that. A government must have such a majority so that none of the coalition partners can exert effective pressure. I perceived the possibility of broadening the coalition to include the Polish Peasant Party [PSL], but so far that has not succeeded.

If it were to turn out that there is no possibility of broadening the coalition and that, on the contrary, a narrowing of the coalition were to occur, that would mean one thing: a jettisoning of the policy of deep reforms. A minority government can survive, but, in our conditions, deprived of legal instruments like the right to decrees, it would not be effective. And that would mean that the state and the economy would drift.

Where Is the State Drifting?

[POLITYKA] Then the only alternative will be a new election.

[Geremek] That is a kind of demagogic slogan. In the best case—I repeat, in the best case—the dissolution of parliament, the election campaign, and the formation of a new government would have to take half a year. With a less fortunate sequence of events, even a year. And please imagine what a huge cost there would be if we were to set the Polish state adrift for half a year or more. That means that these coalition games, which one could treat as just political fluff, take on a dramatic meaning.

[POLITYKA] But, in the present Sejm, 100 votes at most can be gathered for the "deep reforms."

[Geremek] That is how it seems at first, yet that Sejm, such as it is, is making decisions that are advancing the Polish reforms. If the bill on universal privatization passes, and the bill on the State Treasury, that will mean fundamental systemic changes. This Sejm, as it stands before important decisions, deals with them rationally—though it all is dressed up in such a barrage of nonsense, showing off, conditions, and demands. The balance is really not bad.

[POLITYKA] You said a moment ago that both the continuation of minority government and new elections would each mean "setting the state and the economy adrift." One must then search for another possibility. If it is impossible to gain a stable government majority, and new elections would mean the paralysis of reform, then perhaps it would be possible to form a pseudomajority government, in which the government, in essential matters, would appeal for the support of, for example, the PSL and the SLD.

[Geremek] Yes, I believe so. What is more, I expect it. Two weeks ago, I expressed the opinion that there is the possibility of the PSL's entering the coalition and the possibility of a wise contract with the SLD.

The Purge Principle

[POLITYKA] But your radio addresses of several years ago were read as an attack on the SLD. In return, TRYBUNA did not forget to remind you of your old membership in the Polish United Workers Party [PZPR].

[Geremek] Well, fine, I will answer that charge. I was a member of the PZPR. I resigned from the party in 1968 in an act of protest against the aggression of Warsaw Pact troops in Czechoslovakia. Then, for 10 years, I did not participate in public activities. Then I actively joined in the actions of the democratic opposition. I have paid a certain price for membership in the party, where the highest position I held was membership of the examination commission in the Polish Academy of Sciences. So I ask: What would happen if we were to apply that same purge principle to those who remained in the PZPR to the end? That is my answer.

The problem of the SLD's place on the political stage has vital importance today. If I say that we need from the SLD a clear reckoning with its past, it is because I would like to know what the position of that group is as regards the direction from which it has come, and in what direction it would like to go. Today, the SLD as a rule votes against the government, together with those parties from which it

should be divided by everything. A contract between the SLD and the government coalition would require that party to declare for a certain direction of reform; many SLD deputies are doing that. At the same time, however, I have the impression that the club underestimates the drama of the present situation and thus exhibits a certain political arrogance. For, after all, there is a possibility of forming in that Sejm another coalition, linked only by a program of lustration and decommunization. I believe that such a coalition would be harmful for Poland, and I would oppose it. But what does the SLD, against whom that alliance would be directed above all, have to say about that? If not state interest, then at least personal interest should suggest to that club a mode of behavior. If there were to emerge a proreform alignment with support from the left side of the chambers, both sides of the contract would gain the opportunity to carry out their aims and their interests.

[POLITYKA] Professor Geremek, you spoke about broadening the coalition to the left. If, however, that side remains passive, do you see the possibility of finding an alliance on the opposite side—the right—with Center Accord [PC] and the RdR? In short: Aren't the reforms worth lustration?

[Geremek] I do not have any opposition to looking for an understanding with those groups, especially in order to carry out a sensible economic policy. So far, that has proved impossible because I believe there should not be a political situation with "skeletons in the closet"—that is, without a fair and responsible reckoning of the past. True, a fully honest lustration is not possible, considering the state of the archives of the Ministry of Internal Affairs and the Security Service, but let it be as honest as is possible. If that were to be the cost of broadening the coalition, then of course I am for it. But, if the price were to be decommunization, then I answer "no." That crosses a border that is not only moral but also political.

A decommunization policy, as is confirmed also by the experiences of other countries in our region, causes human injustice, the growth of fanaticism, irrational political behavior, and a spiral of revenge and hatred. A situation in which anyone can take power then takes shape. Under the slogan of battling the communist past, everything we have achieved in the reconstruction of the state can be destroyed. One cannot buy anything of value with the coin of decommunization. Therefore, I am against such a transaction.

[POLITYKA] There is still another coin with which to buy the favor of the PC and the RdR: a coin with the portrait of Lech Walesa. It is a sort of historical joke that it is the Democratic Union that tries to defend the authority of the president from Center Accord's attacks.

[Geremek] Disturbing words do frequently come from the Belweder, but so far they have not been followed by any deeds. My position on Lech Walesa is based on the respect of a citizen and a politician for the head of state; there is also a friendship of many years.

[POLITYKA] But doesn't the president's sudden love for the Army, which he has been demonstrating abundantly of late, make you think?

[Geremek] I repeat, for the moment I do not see reason for alarm. However, if that were to be followed by actions aiming toward transferring the armed forces from democratic control into the sphere of the undivided authority of one center, I would be against it.

[POLITYKA] So we will put the question directly: How do you evaluate the role of Lech Walesa on the political stage?

[Geremek] The Belweder camp is the subject of enormous public unrest. That is the fault of not only anti-Belweder groups but also of the Belweder itself. Certain of the president's statements and actions have weakened the chances for Polish reform—like, for example, the recent "300 million" [zlotys in privatization vouchers for each citizen] matter, which is part of the arsenal of economic populism. At the same time, in other situations—let me cite the budget debate—the president has defended economic rationality. It is my conviction that the place of the president in our system is not in the executive branch but in the role of political arbiter. And I continue to have hope that the president will accept such a role.

[POLITYKA] Does that mean that, in case of the drift of which we spoke earlier, one can no longer turn to the idea of a "presidential government," even for a transition period?

[Geremek] In the present legal situation, a "presidential government" could only be a temporary state administration until a new election. It is no solution to the situation. Moreover, the idea of a presidential, supraparty government requires that the head of state have high authority, accepted by the main political forces in the country. It is difficult to discern such acceptance today.

Neither Left nor Right

[POLITYKA] So, if the coalition cannot be broadened either to the left or to the right, and a presidential government is not an option, the only thing left is a new parliamentary election.

[Geremek] I do not like politicians who say "I told you so!" Unfortunately, I must remind you that, when Hanna Suchocka's government was formed, I said it had the chance of lasting about a year and a half, until a new early election. That script may turn out to be correct, especially if a new constitution is approved in the expected time period. Then there would be a reason to dissolve parliament and announce a new election. If the parliament is unable to approve a constitution, that would also be reason to schedule a new election.

[POLITYKA] What will come out of this new election?

[Geremek] I oppose pessimists who say there could not be a worse parliament than the one we have.

The makeup of a future parliament can be stimulated by the new election regulations. It will certainly be less scattered. However, if one uses the criterion of support for reforms, the new arrangement will be similar to the present one. And that will mean the necessity of creating a coalition and making compromises on basic questions of economic

policy. However, if we have another year or a year and a half without an election campaign, we will gain the possibility of lessening social frustration because, after all, the source of the political disease lies not in parliament but outside, in the social situation. And, if we want to achieve a change in the political arrangement, the argument of the supporters of reform must be stronger, so as to convince a larger group of voters than before. Society does not live by statistical indicators or the opinions of the Belweder. Other, more palpable signs of success are necessary.

[POLITYKA] Also necessary, Professor Geremek, is a more precise answer to the question of in what direction those reforms are heading.

[Geremek] A phrase that neatly defined the systemic model that in my opinion is desired—I mean the “social market economy”—emerged at one point and then was ridiculed. That is an attractive concept. Too bad it is so weakly

translated into the language of political practice. The second element upon which the Polish reform program was based can be symbolized by the word “Europe”—Europe as a civilized, political, economic idea. That had great reactive force. Today it has come to this, that “Europe,” “European,” and “European integration” have become pejorative words. It reminds one of a Mleczko drawing of a few years ago, in which a little man in a torn jacket and worn-out shoes flounders through the rain, repeating “I am a European, I am a European.” That sounds funny. Today’s Europe has lost much of its attractive force. Western economies are enveloped in recession; the specter of disintegration of democracy and a deep crisis of political values has appeared all over Western Europe. We are already too late to meet that former Europe. We must find our place in the new Europe. This is why I fear losing time again.

[POLITYKA] Thank you for the conversation.

*** Findra Sees New Job as Service to Slovakia**
93CH0580A Bratislava SLOBODNY PIATOK in Slovak
16 Apr 93 p 3

[Interview with Prof. Jan Findra, director of the Office of the President, by Jarmila Horakova; place and date not given: "The Baton of the Castle 'Conductor'"]

[Text] In his heart and soul, Professor Findra is a dyed-in-the-wool Central Slovak patriot, but that is not all. In addition, he is faithful and totally dedicated...to his life-long love—teaching. Other lucrative offers had been made to him, yet he always resisted. A year ago his name was floated in conjunction with the candidacy for the office of the minister of education. Nevertheless, academia was again given priority. Several weeks ago Prof. Jan Findra, the current Chancellor of Matej Bel University in Banska Bystrica, gathered enough courage to become unfaithful. Today we met him as the director of the Office of the President of the Slovak Republic in Bratislava.

[Horakova] Professor Findra, when you speak you use a mellifluous literary Slovak language, such as one can only rarely hear nowadays. Could you reveal anything about its roots?

[Findra] Obviously, its roots are in my native village of Malinec. To this day there they use a dialect which outsiders cannot always fully understand. I was born and raised there. Wherever Slovak orthography uses a "y," in my dialect it is replaced with the vowel "e." Thanks to that substitution, later it was easy for me to master the principles of Slovak orthography.

[Horakova] I am sure that you still visit your native village; can you still communicate?

[Findra] Until recently, especially while my parents were still alive, my trips would quite often lead to Malinec and later to neighboring Kalinov. At home we used to speak almost exclusively in our dialect; only after I had my own family and when my daughters were little my parents tried to speak literary Slovak. Can I still communicate in our dialect? Sure I can; whenever I meet a landsman, we often slip into the familiar tone of our dialect.

[Horakova] In high school you excelled in mathematics, were fond of chess, and wrote prose and poems. But then to the your math teacher's surprise, you abandoned that subject and in college majored in Slovak language. Does this description characterize you correctly?

[Findra] I was among the best in my class in mathematics. Chess interested me because of its laws of logic and forethought. However, as a student I was fascinated most of all by books. I used to read anything I could get my hands on, and consequently, it was in part under the influence of literature that my first independent attempts at writing—short stories and verses—were created. Some of them were published and so I thought that it would be proper for me to study Slovak language; I did so in Bratislava; I majored in Slovak language and history.

[Horakova] However, our scholarly and academic public knows you as a linguist and literary scientist. When did you turn in that direction?

[Findra] There is some truth in the saying that life is a paradox. As professor at the Teachers' Secondary School in Lucenec I discovered the true beauty of our language, its expressive system, its exacting logic and functional geniality. In 1961, after four years of teaching secondary school, I transferred to the Teachers College in Banska Bystrica. Suddenly I was supposed to teach stylistics which for me was a rather unfamiliar subject because at the university we had hardly studied it. In those days that particular subject was in its infancy. As a teacher and scholar, I had the good fortune to participate in and witness its gradual development. Moreover, that enabled me to return to literary science where I could functionally combine linguistics with literature.

[Horakova] You mentioned that mathematics also continued to be of help to you.

[Findra] Because of it, or by its mediation, I acquired a meaningful, logical view of myself and of the world around me. It taught me to think systematically, which I also frequently put to good use when writing some of my papers. And finally, mathematics enabled me to see the language as a perfect, exact system that is synchronized in an admirable way.

[Horakova] Professor Findra, your decision to serve the first Slovak president has more or less turned the way of life to which you had been accustomed upside down. For five years you will have to put down roots in the city on the Danube. You are doing so at a mature age. Does it not bother you that you have jilted Banska Bystrica, your students, and the university for which you had fought so hard?

[Findra] My answer may sound a bit melodramatic. At its start our young Slovak Republic calls for personal sacrifices. If all of us only considered our own prestige and were not willing to do something for our Republic, we would in fact align ourselves with those people who are ready to give up on it far too easily and much too soon. For that reason, I regard my office as my service to our president and to Slovakia. All I want to add is that a certain charm of my office stems from the fact that something new is being created here for the first time and that I can be part in it.

[Horakova] How is it working out with your family life and with your duties in your previous place of work?

[Findra] As my family is concerned, it was quite simple because our daughters are already on their own and have their own families. My wife, who teaches elementary school, will finish this school year in our hometown. We are supposed to get a temporary apartment here, and as of September we should be together. By agreement with the university administration and with President Kovac, I'll finish the summer semester at Matej Bel University in Banska Bystrica. Every Friday I teach stylistics to juniors.

[Horakova] What have your students meant, and still mean, to you?

[Findra] This is my 35th year as a teacher. For me, teaching is not a burden but an act of renewal. Actually, I always tried to guide my students, and in fact, myself as well, to the thirteenth chamber of learning. For that reason, our joint journey was also exciting for me because I would always discover something new along the way. A teacher's lot is to search for variability. Nothing is worse than routine, stereotype, and boring rehashing of somebody else's ideas. Thus, for me the act of teaching is a process of discovery. I regard meetings with my students as a splendid adventure and if that adventure is based on search and discovery, then it is fabulous!

[Horakova] Your duties in the Bratislava Castle represent a new concept wrapped in the mystery of the unknown. What specifically do your duties comprise of?

[Findra] First of all, they are much more mundane than many people may think. In a certain sense, the Office of the President of the Republic could be compared to an outfit serving the president. Professional services are provided by ten specialized departments. In fact, the office of the secretary to the president and the secretariat of the director of the president's office also are on the level of a department. Each department is headed by the director. In other words, my office is somewhat like a conductor of an orchestra, it holds the baton and sets the beat, and the orchestra plays the music.

[Horakova] What interest is there in entering into the president's service?

[Findra] The interest in employment here is enormous; we received nearly three hundred applications. So far, due to our makeshift working conditions, we have hired almost eighty employees. Their final number will be about one hundred. The departments are hiring employees for a three-month trial period.

[Horakova] What criteria must they meet?

[Findra] We are interested above all in their professional skills, competence, and their ability to accomplish their tasks and to plan their own tasks. We emphasize a moral profile, honest attitudes toward one's own person and toward others, and a frank, critical attitude to one another.

[Horakova] Which professions will find opportunities to serve at the Castle?

[Findra] Persons with higher and secondary education—lawyers, economists, individuals familiar with protocol, political scientists, as well as administrative secretaries and other office personnel; we will also have a hairdresser.

[Horakova] Will the president have his personal photographer?

[Findra] It seems that in time he will need one.

[Horakova] What is the range of salaries of the employees?

[Findra] The amounts will not be fantastic at all; the salaries for the employees of state administration are set in accordance with the scale of wages which applies even here.

[Horakova] According to what system will the Office of the President operate?

[Findra] We are looking for the best possible model of mutual communications. We see it along the following line: departmental directors—director of the Office [of the President]—the president. We discuss both the fundamental and the current problems at our regular business meetings. Our basic method is team work but individual employees deal with partial tasks. Furthermore, we are considering nontraditional forms of communication—pinpointing problems. For instance, at this point we are testing the model of afternoon coffee breaks, which are informal meetings with President Kovac three times a week. Initially, all directors are attending these meetings, but later our meetings will focus on specific agendas. Regular business consultations are being held every Tuesday. President Kovac will attend them while we are looking for an internal structure for our Office as a functional unit. It is precisely at these consultations that we deal with matters in terms of operation and concept and also set up the President's agenda. At the same time, this type of communication as a dynamic process represents our search for the best possible organization of our Office.

[Horakova] The offices in the Castle are in a provisional stage; many are being gradually furnished while you are hiring your personnel. Where and when will the Office of the President ultimately settle?

[Findra] There are three stages for the placement of the staff of our Office: The emergency solution, i.e., the current one, a temporary solution, and the permanent solution. At present, some employees are, so to say, lodgers on the premises of the National Council of the Slovak Republic in the Castle. Temporary headquarters will be located in the Primatial Palace where some of the personnel will transfer in June or July of this year. Some departments will move in the building of the former Czechoslovak Press Agency in Stefanik Street, others will stay in the Castle. In a year or eighteen months the Grassalkovitsch Palace should be finished, though, alas, the process of its restoration cannot be stepped up. The Office of the President will get its definite location only after the Grassalkovitsch and Karacsony palaces are completely finished. The former will house the residence of our president, the protocol, and our Office; other departments will be situated in the Karacsony Palace. However, the President and his office will move into their permanent headquarters after the above-mentioned buildings have been fully restored and furnished.

Macedonia

* Role of Independents in Parliament

93BA0885B Skopje NOVA MAKEDONIJA in
Macedonian 27 Mar 93 p 13

[Article by Aleksandar Damovski: "Independent Representatives of Dependent Parties"]

[Text] *Extending the phase of defining party programs, orientation and membership, as well as, in general, the political image, is a threat of a more serious violation of the party structure in the assembly should representatives change their party color or proclaim themselves "independent." No one worries about the electorate.*

In attempting to depict the party situation in Macedonia, it is relevant to note that the political parties are in the stage of formulating their own programmatic concepts and orientations, the nature of their membership, and so on. In general, political images are still being defined and so is the rich party-pluralistic sky in which most of their subjects are wandering.

As a result of such wandering, this time in the parliament, the initial parliamentary structure of the parties has changed, due more to the reorientation of the representative or the party rather than to objective reasons. The extension of the phase of developing a party profile and such wandering are already creating the threat of a more serious violation of the party structure in the assembly which, all in all, would no longer correspond to the structure based on the will of the electorate. The break within their own ranks and the radicalizing of political actions by some segments of the existing parties are merely some of the results of such processes.

Immediately after the first elections, as a result of such divisions, a new group of representatives appeared in parliament, embodied by representative Vladimir Golubovski of the VMRO-DP [Internal Macedonian Revolutionary Organization-Democratic Party] who quickly abandoned (or was dropped by) the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]. Yet another group of representatives came out of that same party in the same parliament: the Ilinden-Free Democrats, after representative Mihail Panovski, Blagoja Ckartovski, and Risto Jovanov split from the party with whose help, however, as its candidates, they had become representatives. Then came the turn of Tjulistana Jumerovska, originally a representative of the RSM-LP [Reformist Forces of Macedonia-Liberal Party], who is today known as the independent representative Tjulistana Markovska. For the time being, the latest in this series of independent representatives is Goce Andonovski, formerly affiliated with the SDSM [Social Democratic Alliance of Macedonia]. For quite some time, the statements (or, for the SDSM leadership the appearances) of representative Petar Gosev seemed to lead to yet another similar "divorce," and not to the creation of a faction within the party. Examples provided by township meetings are even more numerous. However, the most typical among them was the example of

Kumanovo, where most representatives set up a new group of representatives of the Democratic Party of Serbs in Macedonia, which substantially changed the structure of the assembly.

Reciprocal Specialization

The conceptual divisions within the parties, particularly in the case of individual representatives or groups of representatives seem regularly to produce new parties or new independent representatives or council members. In the view of independent representative Tjulistana Markovska all this is the result of the beginning of a pluralistic life in the state of Macedonia which, according to the constitution, is defined as a civil state.

"That is why," Markovska says, "I think that switching from one party to another or becoming an independent representative is still a safer decision and a normal act at a time such as the present, the more so since this type of multiparty life and political parties trying to define themselves has not become clear. Bearing in mind that my inventiveness and creativity in working in a specific style was hindered as a result of some party views in the formulation of which I personally did not participate, yet which others tried to impose on the representatives, I decided to avoid this by becoming an independent representative and thus preserving my moral code."

The selection of a majority electoral system in itself earmarked the subsequent orientation during the first elections which focused on making the candidate suit the party rather than the party suit the candidate. That is precisely why the responsibility of the "new" assembly people and representatives toward their party and, particularly, their own electoral body increases. However, the "new" representatives have an answer to this issue as well.

"As a representative of the SDSM," says independent representative Goce Andonovski, "after a while it became clear to me that it was only as an independent candidate that I could fulfill the commitments I made to my electorate during the electoral campaign. Under circumstances of strict party rules this was simply impossible. Released from the burden of the party's interests that, unfortunately, increase the division among the parties, the views of the independents are based exclusively on our living and working experience and our intellectual capabilities. In my view, such should be also the attitude of the president of the Republic and the chairman of the assembly. At this point in time this is our only solution."

Untouchable Representatives

It is impossible to hinder or, more precisely, to regulate such changes in the structure of the assembly on the basis of existing laws. It is impossible also because at present the representatives are the only performers of functions for which they do not have to answer to anyone. Representative Risto Jovanov frankly admitted that he has simply benefited from the vacuum in the legal regulations, citing the impossibility to work as member of a faction within the party with whose help he became a representative. Being

unfaithful to the party and to the citizens who voted for a representative is only one side of this problem.

The other side of such an "innovation" is the merciless settling of accounts with rebels within one's own ranks, anathematizing them with party actions and blocking their possibility of working as a faction within the ranks of their party. The supporters of both sides, as a rule, would try to present this as being a global experience. Immediately afterwards, however, as was the case with representatives Andonovski and Markovska, they will tell you that "in the future there will either be no independent representatives" or else "after three or four big parties are organized, such situations will probably become impossible."

Until then everyone is benefiting from this undefined situation, referring to global practical experience and, sometimes justifiably, to the frequency of predetermined emphasis on party discipline based on the principle of democratic centralism. As part of this "democratically developed world" the possibilities of such a development of the situation may be predicted in advance, at the nomination stage, when every party candidate submits his resignation in advance, which the party accepts the moment there is a first step toward independence or change in party colors. Another acceptable solution is to try to be re-elected.

For the time being, none of this, however, other than making some noise, worries anyone. It is being said that all of this is part of the development of the specific profile of the party in which, obviously, natural developments are the most suitable attribute.

* Development of Political Culture Examined

93BA0881B Skopje PULS in Macedonian 25 Mar 93 pp 10-11

[Article by Mirka Velinovska: "That's All, Folks!"]

[Text] *It is simply that everything is mixed up in this country of ours, in which there was an misunderstanding from the very beginning that the formal existence of some 50 parties meant a priori pluralism, but the greatest scope of the newly discovered democracy is still permanent revolution and negligence.*

Trying to describe Macedonia's political life very precisely, you suddenly realize that it is impossible—not because it is simply gushing with variety and profusion, but rather because it is empty, without ideas, disorganized, and sometimes even boring, and because the entire political picture could be colored in gray tones. Our representatives in parliament, the government, and the parties are just like our background. Or, conversely, it is precisely the lack of personality of the people engaged in politics in our country that forms our political life in accordance with their standard. It is ranges from the recognizable way in which they hold their arms on formal occasions as if they did not know what to do with them, through the uniform clothing, to the structure of political speeches, which give the impression that they came out of one copying machine. Of course, this scheme does not include the tragicomic rhetorical sallies of the exclusively independent deputies Trajan Micevski,

Cvetan Jevcevski, and the "metaphysician" Mitko Anastasovski, as well as one Petre Trajkovski, who usually rely on their own resources, but because their vocabulary has been reduced to several hundred words, the meaning of which they usually do not know.

Thus, aside from honorable exceptions, mediocrity, a lack of invention, and boredom prevail on the political scene in Macedonia. Someone will say—the times are like that, and views like this one are not true. They are definitely true. The times, whatever they are like, with all the unfavorable things and uncertainties that they are bringing our country, cannot be the official reason for the evident failure of domestic life, especially in the efforts to have it take place in finished institutions. We are already wasting the third year since the elections, but with respect to the institutions, the completion of the systems, the formation of the policy and strategic position—in a word, the transformation of society—we have not gone any further than one step forward and two steps back.

The judicial system has not yet taken root. The economic system is where it was even before Yugoslavia's collapse. Nothing in it is defined—from the position of the banks, to privatization of the capital that we possess. We have old identification cards, and the former license plates on vehicles. We have an untransformed educational system. We do not have high-quality and stable health care. Our agriculture and livestock raising are where they were, causes of inflation. Retirees are still losing one [monthly] wage during the course of the year. Workers actually have not ceased to be subject to all sorts of manipulations, from their trade union representatives to the manipulation of the political activities in the field that are promoting workers' self-management. The factories still belong to the workers, they occupy them when they want as hostages, and they dismiss as they see fit the seeds of the future management whenever they do not give them good wages for idleness and whenever they ask them for at least more discipline at work. The police are much more active than before. You have the feeling that they are in abundance everywhere, since neither the deputies nor the political parties ever stop talking about them. The legislative branch is showing definite tendencies to turn into an ideological commission and an institution for witch hunts. It is simply that everything is mixed up in this country of ours, in which there was an incorrect understanding from the very beginning that the formal existence of some 50 parties meant a priori pluralism, but the biggest (?DOSTREL) of the newly discovered democracy is still permanent revolution and negligence.

A few days ago the ideas regarding new elections were revived. We all want them as a way out of the three years of nightmare. Who knows, however, whether the result can be greater than zero, if such narrowly specialized and oriented parties enter the elections? We have in mind a positive result, in favor of the consummation of democracy and changes. Furthermore, in view of all the experiences to date, we are not completely certain that most of the population wants any changes. It is sufficient to look at the results of the Gallup poll that covered all the countries that

lived under a one-party system for half a century. Our country is ranked very low among all of them, at least with respect to the desire for radical changes in the economy. Scarcely some 27 percent want privatization. On the other hand, an enormous number of respondents, however, want a high standard of living, and also advocate changes, but they should take place slowly, so that they suit our habits and our biorhythms. To put it bluntly, they want a pie in the sky—or, without going any further, even the superficial results of the numerous strikes in Macedonia indicate that the workers still view themselves and act as a class, with the vanguard merely being transferred from the party to the trade unions, and among certain deputies who view themselves as people's tribunes.

"As is well-known," however, the parties participate in elections, and citizens, i.e., the electorate, support their candidates. The electorate, judging by many indicators, is inconstant in its desires, affection, and commitments. For whom should they vote, and which party program should they trust, having the first experience behind them? A trademark of all the parties that participated in the first race for seizing power was the desire to be part of the EC (they all identified themselves with it, and some of them, like the SDSM [Social Democratic Alliance of Macedonia], even did so in symbols and colors), democracy as an option, a market economy as a commitment, and a law-governed state as a goal. At that time independence was not involved, since apparently among us, we cannot easily escape the mentality of "a saber does not cut off a bowed head," the philosophy of small steps and of not having a clearly articulated opinion on the key issues. All of them included in their programs something which appeared among their colleagues abroad, and which seemed profitable in terms of propaganda at that moment. Life soon taught us, however, to realize the difficulty of easy promises, wearing out one's word, and a discrepancy between statements and deeds. The parties promised all sorts of things in that way, without having learned their lessons; the money from the diaspora is not arriving by any means ("If you elect VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National Unity], a billion dollars will arrive in Macedonia"), and the decent life we were offered by Kiro Gligorov and his Socialists, since allegedly Macedonia can provide it, has been reduced to barely making ends meet until the end of the month. So far there is not even a sign of the reforms that were advocated then by the Reform Party and now the Liberal Party. Of course, this is not the fault of just one party, but rather the responsibility of all those involved in the government who do not have the courage or will, and apparently not even the knowledge, to bring them to light. Since the ghettoization of the ethnic communities concluded, barely one "P" is left from the democratic prosperity of Macedonian citizens.

Not even the parties left outside the parliament are "any worse" and are lagging behind in what they offer. We are being reminded of the fact that people are still living, or that they are hanging on, with some press conference here and there or a public communique, to which the role of the League for Democracy, the Social Democratic Party and the Civil-Liberal Party, and even the MAAK [Movement

for All-Macedonian Action] has been reduced. These non-parliamentary parties, however, do have some sort of explanation and justification for being the way they are. Their existence is not encouraged by the existing authorities and the parliamentary opposition, especially since without a membership of their own, if they do succeed in suppressing them, they can be nicely utilized in the ranks of the "big ones."

There is no explanation for the status quo situation in Macedonia, however, from the current participants in the government—or at least, it is not acceptable, for several reasons. The first is that they have undertaken something that is an established fact in the world when the specification and index of jobs in the government are involved. Assessing that the situation in Macedonia was such that everything possible had to be done in order to save it, and likewise feeling that the preliminary expert executive branch could not do it successfully (no one supported it, since the parliamentary balance of power is such that if it is not consolidated, it will be the only one in the world where everyone is both regime and opposition for everyone in different situations), a regrouping was attempted. It resulted in a political government and a defined coalition regime and its opposition. Indeed, it also resulted in a commitment to lay the groundwork for changes, more rapid and high-quality ones, as Branko Crvenkovski stated in his report. It was soon seen, however, that the coalition was not anything serious either, nor were its intentions justified. Why is that?

On one occasion, Deputy Prime Minister Stevo Crvenkovski tried to explain this "phenomenon" jokingly through the example of a pedestrian who thinks in one way up until he gets behind the steering wheel, this time as a driver. Thus, "the pedestrians in the executive branch" soon adopted the driver's logic, and since then we have all been driving together: on empty promises, and justifications for mistakes made, even when what can be done is not—and when it can be done, but people do not want to, for various reasons. The uncoordinated rules of the game and behavior among the coalition partners resulted in the alleged "walk" of the PDP [Party of Democratic Prosperity] and the NDP [National Democratic Party] leaders, who are virtually begging the world not to recognize the state in which they are in power. Their partners are keeping silent for pragmatic reasons, and if they have spoken out, they have done so in close circles. A quiet struggle is going on between the SDSM and the Reform-Liberal Party for occupying the best possible positions before the elections, so that one of them can set conditions for the other in the election finale, with both the ministries and the "spheres of interest" of both sides being well-known. It is no secret that the police and concepts for their transformation are involved. Since we are on the subject, the opposition is no worse. It also wants to get a grip on certain key instruments. Furthermore, they bought from their predecessors in "unanimity," apparently as their sole legitimate successors, the well-known method of field work with the populace, "garnished" with populism, so it should be expected that they will do everything possible in the next elections to restore the revolutionary period.

The exercise of authority as a sphere for personal or party prosperity reaches the public from time to time, through an incident. For some time now, the authorities have been surprised at the media for starting to write and talk about the elections without any specific reason. It is probably because their entire activity has been reduced to self-propagandizing in a typical period for occupying better positions for the election. Responsibility for what has not been done—while completely the opposite was assumed—does not exist. What was that responsibility, and who remembers it?—especially in the Ministry of City Planning, Construction, Transportation, and Ecology, as well as those for the economy, agriculture, justice.... Will we expect even certain deputies to have a feeling of responsibility, when the parliament, even after three years, is being used by them, instead of passing laws, for conducting various witch hunts, and when inconceivable filth can be uttered in it concerning their own colleagues, and even people whom they do not even know? But it seems that all of them (both the authorities and the opposition) are counting on winning again in the next elections. It is quite interesting, since we can by no means discover what they are basing the optimistic picture of their popularity on.

Actually, unless something changes drastically in the meantime, the game regarding the new elections will be entered by a pale, undefined SDSM party, in whose ranks there are a few good individuals, but which has apparently missed the moment of its own encirclement. It has a basis for this in its program, but in practice it has been left behind. By pursuing exclusivism and elitism, and behaving for three years now like a moral general culprit because of the past (although Branko Crvenkovski has talked a hundred times about the overall communist record of his party compared to that of the members of VMRO-DPMNE), they have "succeeded" in building a defensive policy.

Consequently, the biggest parliamentary party will go into the elections, however, with a broad program (without emphasis on individuals, with the exception of Ljupco Georgievski), and will count on all the interest groups in the population which, for one reason or another, are dissatisfied with the situation. From now on, apparently, populism and collectivism, together with "defense of the downtrodden," will be its trademark, and that will make it a serious rival for power in this area. It can probably be blocked only by a big coalition of the "other" side. The PDP practically knows its election results in advance, but it will be a little more difficult to determine the true value of the Liberal Party, which was totally faceless during the past two and a half years (although with some high-quality personnel), with a position neither here nor there, and with a marked flirting with the trends in our society, as if someone had cut off its roots, since it was built for different needs. It seems that with this party's recently published platform, and in view of the results of PULS's latest poll, it is showing certain signs of revival and orientation, especially after the appearance of Stevo Crvenkovski and Stojan Andov at the meeting when there was a discussion of the "treason" by Kiro Gligorov and Denko Maleski with respect to the country's name.

If we skip over Kiro Popovski's party (which still probably does not know whose and what it is) this time, the Ilinden-Free Democrats, VMRO-DP [Democratic Party], PCER [Party for the Full Emancipation of Romanies], and the independent deputies still remain. Some people say that this group can easily absorb a figure like Peter Gosev, for example, who has proven himself to be a sufficiently broad social democrat with a pronounced nationalist slant (when necessary), and acts like a special opposition with respect to his party. We might call it a fourth (reserve) group that will seek power, and in which certain nonparliamentary parties can easily find a place. And that is all: We have groups being established, there will be a race for power, and so the voters will decide. What still remains in the sphere of speculation is what they will offer—or perhaps they expect us to elect them on the basis of beauty.

* Development of Independent Judiciary Viewed

93BA0885A Skopje PULS in Macedonian 25 Mar 93 p 9

[Article by Aleksandar Comovski: "Judgment of Politics"]

[Text] *It appears that the broadening of the reform of the judicial system and the development of an independent judiciary seems to "suit" everyone.*

A judge is being tried in Stip. Criminal proceedings have been instigated against another judge in Skopje. Serious indications exist that bribes were accepted by two other administrators of justice in Tetovo. The police is also investigating several cases involving rates set by some justices for bribes from citizens to "protect" them from either prosecution or trial. Whether this is the first serious signal that the "mafia" is penetrating the nucleus of the law-governed state or that we are dealing with an unnatural "filtration" of judges on the eve of a very broad re-election is difficult to determine. We are familiar with the major cases of individual corrupt judges and the case of the previous chairman of the Skopje Okrug Court, whose successor was investigated for malversations. Over the past five years, for a variety of reasons but, essentially, for perjury 17 judges of all kinds and levels have been dismissed. Random data indicate that between three and five percent of all cases are never tried.

Although it is exceptionally difficult to determine the reasons for delays in such cases, direct talks with the administrators of justice provide better indications. Such people also can prove their loyalty to the powerful men in the state by non-material means of political corruption. Their number is allegedly small, but the fact that over the past five years there have been some 150,000 cases reaching the Macedonian courts is bound to impress the politicians, who must realize that the latest, most modern "hard currency gains" from corruption and bribery are knocking at the doors of the palaces of justice. Today it is being openly said that lawyers have already set the specific prices that their clients would pay for postponing or never going to court on civil or criminal cases. For the time being, this still applies to individual cases that, objectively, threaten to

become the rule. This will last as long as no one is concerned with the organization of a new judiciary and, above all, due to the isolated nature of the criminal law system that ignores the existence of "latent or open appetites shown by various individuals who are pursuing their own pursuits by impermissible means," wrote Dr. Vlado Kambovski, professor of criminal law, in a recent article in *BEZBEDNOST*, a police periodical. According to him, "white collar" crime makes "more sociological and criminological sense if looked at as corresponding to the criminal nature of 'noted personalities' and 'low class society,' although it is also an indication of abuses committed by economic and political powers."

The Macedonian Supreme Court, which is the state's highest judicial level, reported in its latest yearbook that last year a "substantial number of judges" were dismissed for a variety of reasons and that because of imposed restrictions no new judges were appointed in their stead.

The plague of appointing more than 250 judges in Macedonia apparently has taken its toll. Increasingly noticeable is the fact that judges are becoming lawyers, and the opening of agencies for mediation and legal matters that, added to the established appearance of a criminal element among them as well, can only dramatize the atmosphere of expectation.

The reorganization of the legal system and its central "nervous system"—the judiciary—has been blocked. The already debated law on the courts apparently has no chance of obtaining a two-third approval in the Macedonian Parliament. Without that law, resolutions based on the laws that have already been passed in the areas of public prosecution, the bar, and the newly created institute and institution—the Republic Judicial Council—remain unstable.

The deadline for its establishment expired quite some time ago. Yet it is precisely the Republic Judicial Council that determines the structure of the future independent judiciary. Whether such responsibility to the future of the judiciary mandate is the reason for the "tactical moves" made by all participants who must submit "their candidates" is an aggravating circumstance in an environment of total legal insecurity and an atmosphere of legalized plunder within and of the state makes it a greater challenge for sociocriminological studies. Meanwhile, we are in the midst of a legal destruction, of unsanctioned criminality and of "enjoying the show" by the police, the prosecution, and the courts. The police are looking for and investigating cases of unregulated conversion of public assets and of direct links between directors of big enterprises and small entrepreneurs involved in secret deals, as they establish their power within and with the underground, providing a great opportunity for public spectacles and marketplace rumors, intrigues, and hints.

Judges are not isolated individuals and find it difficult to abandon the established ways of their direct connections with the business world. This new "integrational" process can be blocked only with the definitive establishment of an independent judiciary, with its clear, comprehensive, and

absolutely legal and, above all, material status. An environment in which everyone is dishonest although only a few judges are guilty, will be probably protected also because of the possible natural choice among the permanent personnel. Promoting fear—you will either be with us (with me) or else you will obey the new powers—is a likely answer to the policy of expectation in structuring the most important segment of a law-governed state. This will face us with a new, updated process of politicization that, instead of stability and trust in justice, will make insecure both the institutions and the participants in the game.

It is thus that the elimination of any party influence on justice turns into a strictly formal process. Five years ago, it was the Party that studied conditions within the judicial system. Moral and political suitability was the basic criterion in the appointment of judges. The result was that 94 percent of all judges were SKM [League of Macedonian Communists] members. After the Army and the police, this was the strongest party bastion. However, a new wave of party loyalty could also actually be established because of the interests of the parties that will nominate the future "untouchable members" of the Republic Judicial Council.

The candidates include two ex-ministers of justice with a declared political affiliation, as well as judges who are still not free from the interference of party leaders. How can safe new judges be appointed? There is no answer to this question. Party interest in judges and that of the courts in the choice of members of the Republic Judicial Council will be only temporary. After the major change, the investigation of the professionalism, competence, and ethics of the new judges begins, we shall be faced with a feverish battle by the candidates to earn the trust of the Republic Judicial Council. The unsecured mechanism of permanent control and the undefined criteria in assessing any eventual disciplinary violation of responsibility by the judges, regardless of the fact that they will be appointed for life, does not guarantee that the independence of the judiciary will be achieved statutorily, legally, and consistently.

We cannot ignore the result of the study made by the Supreme Court, according to which one out of three sentences is overturned on appeal. It is true that overturned criminal sentences are an element in the accuracy of the administration of justice. Last year, they amounted to a modest nine percent of all appeals. According to the assessment of the highest judicial instance, this is a guarantee that the principles of the law were observed. In the reappointment of judges, the Supreme Court of Macedonia does not rely on a more realistic assessment of the individual qualities of the judges whose rulings "for the people" are subsequently overturned.

How and by whom will judges who, to this day, responsibly and honestly, for a meager salary, have defended the public order and, above all, civil rights, be protected from a new flood of defamations? According to some European standards and the views of outstanding legal experts in Macedonia, it takes six to seven years to train a "good" judge, after clerking and passing the bar examination, and steady maintenance of proper standards and concern for human

lives. It looks as though the extension of the reform of the judiciary system and the structuring of an independent judiciary seems to meet the needs of everyone. This applies no less to the security of and trust in the state.

* Problems of Local Government Examined

93BA0885C Skopje NOVA MAKEDONIJA in
Macedonian 27 Mar 93 p 15

[Report by Lilica Kitanovska: "For Quite Some Time We Have Had No Authorities Here!"]

[Text] *Even after two years we have been unable to understand why the communal system has been abandoned and what type of local self-government we need. In normal countries someone becomes answerable for sacrificing the people and for suspending the basic rights of citizen to decide to become involved in local affairs.*

For more than two years we have been talking about (some kind of) local self-government, bringing forth various strategies and concepts that "will have nothing in common with the previous communal system," for this means, does it not, the ideologized organization of the foundations of society. With our typical nihilism, we have thrown everything out in order to start with something unheard of so far and, unquestionably, right for our circumstances. The unpredictable indeed happened. The type of local self-government which we have has neither existed nor will ever exist elsewhere, for it is a question of a most classical type of power centralism, starting with throwing "democratic" sand in the eyes: We have township power authorities and authorities in the local communities to whom the citizens continue to submit their problems although over the past two years all of them have realized that those authorities no longer have any power.

But we elected you to represent us and to deal with our common interests, say those who are confident that they are seeking the right way. They stubbornly wait for an answer! Without exception, however, the answer is, what you have told us is good but we are not the competent authority! And it is obvious that this situation would have made the people fed up a long time ago had there not existed that fine trickle of hope that soon everything will change. The chairman, the secretary, and the few remaining workers in those township city halls are paid their wages regularly. What is our interest in paying such officials when their regular going to work is useless, an ordinary person would ask. That is why the absurd answer which we are given most frequently is that this is a "reasonable acceptance of a temporary situation," which keeps on going and going.

Broken Ties

Communal problems exist in all townships without exception. In most of them the budget has not been passed. This means that there is no money although the needs are increasing. Commitments have not stopped, for which reason there still are stipulations that the townships must be concerned with improving life in their area, ranging from equipping schools to financing urban construction.

Actually, the funds which are approved at township meetings would be adequate for no more than buying the paper used in submitting requests to the respective republic ministry. The justification for this, even if we consider it from two different aspects, is that many such requests are either filed and forgotten or else that extremely symbolic amounts are approved. Since money is closely linked to power, it is obvious that these authorities lack even the most basic sort of power.

The problem with Kavadarci is quite typical. The township assembly has broken all ties with most units of the relative ministries. Real wars break out for even the slightest communal, property-legal, or any other financial commitments among them. The township meetings issue conclusions and resolutions the actual implementation of which they are no longer able to control. For that reason they become totally dependent on the "mood" of officials of the territorial units. The latter, either directed from above or on their own, are doing whatever they want. Coordination is an unknown term in communicating among them. Sometimes a permanent discotheque may be set up in the middle of a park; stores would appear in the center of the city without proper permits; entire areas become covered with unlicensed buildings erected on land that is not theirs, and there is no one to put an end to all this. There is no leadership of the various area units and with no influence in such matters conflicts are inevitable. Luckily or unluckily, for the time being such conflicts remain "theoretical."

The same happens in Ohrid. Mayor Blagoja Siljanovski is getting pressure from two sides. On the one hand, the opposition exerts very heavy pressure to have him removed; meanwhile, crimes are being committed in the city ever more openly. On the other hand, this is our biggest tourist center visited by some high state delegation at least every second day. It is only subsequently that people are informed of such visits and had they been informed on time there would have been demonstrations, police raids, and who knows what else, resulting in no more than moral satisfaction but nothing else. Communication here is like deaf people talking to each other. It is being forgotten that Ohrid is not only a city but also a representative of Macedonia. Thus, while Siljanovski tries to be everywhere and is also the head the phantom association known as the Cities and Townships Alliance, every day a growing number of booths are being set up in the market by people who have been able to procure a permit to erect a temporary building.

Where Is the Community Interest?

The situation in Strumica is also dangerously tense. The people of Strumica could not believe that in order to pave a sidewalk they had to appeal to the ministry, in Skopje. The most daring among them went but were told to go back home, for the problem should be dealt with by their local authorities. The suggestion they were given was that the project should be financed locally. This is strange logic. If the state has no money how can it ask of the citizens to find it? This failed. The oversaturation of local contributions for

solving some problems only partially is obvious. No one intends to dip into his own pocket "for the common good." It seems that, in general, no such thing is possible.

Having realized that the Berovo Assembly would not help, the people of Pehcevo decided to entrust their problems to the 11 local officials. However, these 11 people are becoming a major burden for the budget (which, incidentally, has not been passed) and are asking the township to pay the salaries of five of them. The Berovo local community has three officials. Apparently, they have no need for more, considering that the Berovo local Assembly has seven officials. It is difficult to determine under what circumstances could funds be provided to pay the salaries of another five people when there has been no change in the amount of available funds. The conflict is growing and, as a result, virtually all projects of that township wither away.

It becomes boring to repeat that, as though with a magic wand, any difficulty experienced by the local population would be resolved if the law were passed. Yet the law is still in its final stage of completion. Minor disagreements remain to be resolved before it is passed. These arguments are used to keep the peace among the persistent chairmen of township meetings with whom the representatives of the government meet periodically. Thus relaxed, they go back home, and the next morning, armed with the smile of the promises that were given to them, tell the people who will start knocking at their door that everything is in order but that they are not the competent authorities! They are not about to describe the real situation, and certainly not to those who, having tasted power, would like to retain it as long as possible. But who has the right to sacrifice the people so rudely? In any normal country someone would be held responsible and liable.

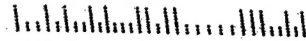
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